Summary, House Bill 1478, 2007 General Assembly*

**Homestead Deduction.** Section 3. Provides that in 2008, the standard deduction available for real property that qualifies for the homestead credit may not exceed $45,000. Provides that beginning in 2009, the maximum deduction decreases $1,000 each year until it reaches $40,000.

**Local Income Taxes to Freeze Property Tax Levy.** Sections 20, 61-63, 65-66, 69-73, 75-79, 82-83, 92, 98-100. Authorizes a county to adopt an additional county adjusted gross income tax (CAGIT) rate or an additional county option income tax (COIT) rate. Provides that the tax rate shall be set by the department of local government finance (DLGF) at an amount sufficient to raise tax revenue to replace the estimated increase in the following year of certain property tax levies in the county. Specifies that the tax rate may not exceed 1%. Provides that in the first year the tax rate is imposed, the tax rate shall be set for each of the following two years. Provides that the tax rate set for the first year must be increased a specified amount above the amount needed to replace the tax levy growth, and that the excess tax revenue raised in the first year must be deposited in the county stabilization fund. Establishes a county stabilization fund in each county that imposes the additional tax rate. Provides that if the certified distributions exceed the estimated replacement amount used to determine the tax rate, the excess shall be deposited in the county stabilization fund. Specifies when money shall be distributed from the county stabilization fund. Provides that the tax rate may not be reduced or rescinded, but that the tax rate may be increased each year to replace the property tax levy growth that would otherwise occur in the following year.

**Local Income Taxes for Public Safety.** Sections 61-63, 65, 67, 70-73, 75-79, 82, 84, 87. Authorizes a county to impose an additional CAGIT or COIT tax rate for public safety. Specifies the conditions under which a county may impose the additional tax rate for public safety and specifies the maximum additional tax rate. Requires this tax revenue to be distributed to the county and municipalities in the county and to be used for public safety purposes.

**Local Income Taxes for Property Tax Relief.** Sections 61-63, 65, 68, 70-73, 75-79, 82, 85, 87. Provides that a county may impose a CAGIT or COIT tax rate of not more than 1% for: (1) property tax replacement credits; (2) an increase in the homestead credit percentage; or (3) property tax replacement credits for qualified residential property.

**Lake County Levy Restriction.** Section 19. Provides that the assessed value growth quotient for a particular year for civil taxing units in Lake County is zero unless this tax rate for property tax relief will be in effect at a rate of 1% in Lake County for that calendar year.

**Local Income Tax Adoption Date Change.** 54-55, 57-60, 74-77, 81, 88-92, 142, 145-147. Provides that ordinances imposing, increasing, decreasing, or rescinding CAGIT, COIT, and the county economic development income tax must be adopted after March 31 and before August 1 of a year. Provides that the ordinances take effect October 1 of a year.

**County Board of Tax and Capital Projects Review.** Sections 1-2, 5-18, 21-35, 41-52, 64, 96-97, 101-118, 121-135, 140. Abolishes county boards of tax adjustment on December 31, 2008. Establishes a county board of tax and capital projects review (review board) in each county on
January 1, 2009. Provides that in counties other than Marion County, a review board consists of members appointed from various fiscal bodies within the county and two individuals elected on a nonpartisan basis. Specifies the membership of the review board in Marion County. Provides that in those counties that have a county board of tax adjustment, the review board has the powers and duties held by a county board of tax adjustment before the county board of tax adjustment is abolished. Requires the fiscal body of each political subdivision in a county to do the following every two years: (1) Hold a public hearing on a proposed capital projects plan. (2) Adopt a capital projects plan. Requires a capital projects plan to apply to at least the five years immediately following the year the capital projects plan is adopted. Requires a review board to review and provide a written report concerning each capital projects plan. Provides that a political subdivision may not: (1) begin construction of a capital project; (2) enter into contracts for the construction of a capital project; (3) issue bonds for a capital project; or (4) take certain other actions concerning a capital project; unless the review board approves the capital project. Provides that the approval of the DLGF is not required for an issuance of bonds that have been approved by the review board. Provides that a capital project must be reviewed by a review board only if the capital project: (1) is a controlled project for purposes of the petition and remonstrance procedures; and (2) will cost the political subdivision more than $7,000,000. Provides that review board approval is not required for water projects, wastewater projects, highway or road projects, or bridge projects. Provides that the local government tax control board is abolished December 31, 2008. Beginning in 2009, eliminates certain levy appeals for civil taxing units.

School Corporation Bonds. Section 119. Provides that after May 15, 2007, the DLGF may not approve a school corporation's proposed bond issue that does not provide for payments toward the principal of the bonds on at least an annual basis, lease rental agreement that does not provide for repayments toward the present asset value of the lease at its inception on at least an annual basis, or debt service fund loan to purchase school buses that does not provide for payments toward the principal of the loan on at least an annual basis.

2% Circuit Breaker. Sections 36-40. Specifies that in 2008 and 2009, the circuit breaker credit for taxes greater than 2% applies to homestead property (rather than qualified residential property). Specifies that after 2009, the circuit breaker credit for taxes greater than 2% applies to homestead property and that a circuit breaker credit for taxes greater than 3% applies to property other than homestead property. Provides that a school corporation's tuition support property tax levy may not be reduced because of a circuit breaker credit. Provides that a redevelopment commission or the governing body of certain other TIF districts may file with the county auditor a certified statement providing that for purposes of computing and applying the circuit breaker credit, a taxpayer's property tax liability does not include the liability for a tax increment replacement tax. Establishes a circuit breaker relief appeal board. Provides that beginning in 2008, a county or two or more political subdivisions that will have their property tax collections reduced by at least 2% in a year as a result of the application of the circuit breaker credit may petition the board for relief from the application of the circuit breaker credit. Requires a petitioning political subdivision to submit a proposed financial plan to the board. Provides that the board may: (1) increase the threshold at which the circuit breaker credit applies to a person's property tax liability; or (2) provide for a uniform percentage reduction to circuit breaker credits
otherwise provided in the county; if the governing boards of all political subdivisions in the county agree to that plan.

Provisions for Particular Counties and Other Matters. Section 53, 56, 80, 86, 93-95, 120, 136, 139, 141, 143-144, 148. Allows Parke County to impose an additional CAGIT rate of not more than 0.25% to: (1) fund the costs (including pre-trial costs) of a capital trial that has been moved to another county for trial; and (2) to repay money borrowed for that purpose. Increases the Allen County innkeeper's tax rate to 7%. Authorizes Monroe County to adopt an additional COIT tax rate of not more than 0.25% to fund a juvenile detention center. Raises the cap on the Vanderburgh County innkeepers' tax from 6% to 8%. Provides that the additional county option income tax rate permitted in Howard County must be adopted in increments of one hundredth percent. Provides that the portion of the judicial salaries fee retained by a city or town shall be prioritized to fund city or town court operations. Provides that, notwithstanding the December 31, 2006, statutory deadline for a political subdivision to adopt an ordinance or resolution to provide local homestead credits in 2007, a political subdivision may adopt such an ordinance or resolution after December 31, 2006, and before June 1, 2007, to provide for a local homestead credit in 2007. Makes certain changes concerning personal property abatement. Creates the annexation study committee. Makes other changes.

*This is the bill summary from the fiscal note, annotated with section numbers by Larry DeBoer, Department of Agricultural Economics, Purdue University. The full bill can be seen on the General Assembly’s website, www.in.gov/apps/lsa/session/billwatch/billinfo -- type 1478 into the “Go To Bill” box.*