

Existing TIF

TIF will be reduced because the PTRC is not paid by the State to taxpayers in a TIF area. In extreme cases, lost TIF revenue will be replaced by an automatic tax levy throughout the entire redevelopment district unless the local unit decides to lower the levy. A levy under this section does not apply against the local units levy limit.

Economic Development



Eliminates the Corporate Gross Income Tax and the Supplemental Net Income Tax

Increases the Research and Development Tax Credit from 5% to 10% and repeals apportionment formula

Establishes a new Venture Capital Investment Tax Credit

Provides \$15 million per year for FY 2003 and 2004 for the 21st Century Research and Technology Fund

Provides for the establishment of "Smart Zones" - certified technology parks to promote high technology research and employment, funded by capturing incremental taxes attributable to the parks



Other Tax Increases/ Decreases

Increases the Sales Tax from 5% to 6%.

Establishes a new Utility Receipts Tax at 1.4% on regulated receipts.

Increases the Cigarette Tax by \$.40 to \$.555 per pack, 3% increase for other tobacco products.

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LEGISLATIVE BULLETIN

SPECIAL SESSION

EDITION

2002 SPECIAL SESSION EDITION

The Indiana General Assembly concluded the special session for tax restructuring. The final version of the bill took two votes for passage in the House of Representatives. The first vote failed but approximately one hour later, the exact same bill was approved in the House. There were numerous changes that will affect county government in the bill. At the Association of Indiana Counties (AIC) conference in Merrillville, we will have a workshop to explain the overall changes in the bill.

HOWEVER, from a tax administrative perspective, there are numerous changes that need to be accomplished immediately. We encourage county assessors, auditors, treasurers and computer vendors/technical support to attend a meeting on Friday, July 19, 2002 hosted by the AIC to listen to representatives from the Department of Local Government Finance, the State Auditors Office and others to explain the changes that need to be done within the next few months. There is no fee for attending. The meeting is from 9:00 am – Noon at the Indiana Historical Society located at 450 West Ohio Street in downtown Indianapolis on the corner of Ohio and West Streets near the Statehouse. Free parking is provided in the Indiana Historical Society building lot. **Seating is limited. Please RSVP to the AIC at 317.684.3710.**

Some changes in the bill are for the pay 2003 property taxes and action is needed immediately to comply with this new law. Implementing these changes will be a tremendous challenge for county officials.



If you have specific questions to be addressed at this meeting, please e-mail them to David Bottorff at dbottorff@indianacounties.org or fax to 317.684.3713.

If the interest is high, we will try to organize a second meeting to accommodate county officials.

A QUICK REVIEW OF HEA 1001



Assessment/Tax Rates/ Tax Bills

No delay in reassessment

Increases the Homeowners Exemption from \$6,000 to \$35,000

Eliminates 60% of School General Fund Levy through state paid Property Tax Replacement Credit

Increases Homestead Credit to 20% (Under existing law, Credit would go to 4% beginning 2003)

Establishes a new 20% Property Tax Replacement Credit on all real and individual personal property includes mobile homes and individual personal property but excludes business personal property

For 02 assessment pay 03, the new personal property tax is in effect with three exceptions. CIP and property not in use will be taxed at 10% AV as in the old rule, inventory will receive a 35% deduction (unless the taxpayer chose the alternative inventory method)

For 03 pay 04 and beyond, extends the existing finished goods inventory exemption to raw materials that are used in a product that is to be shipped out of state

Eliminates remaining Inventory Tax completely for pay 07. Gives the "county tax council" (as defined in IC 6-3.5-6-1) the option to eliminate the Inventory Tax sooner if they pass a local Economic Development Income Tax to provide Homestead Credits. This tax would not apply against the income tax cap

For 03 pay 04 taxes and beyond, returns to the "old" business personal property reassessment rule (with floor)

Eliminates the existing \$37,500 AV Income Tax Credit



Gaming

No increase in the Riverboat Admissions Tax .

Increase in Riverboat Wagering Tax Rate -22.5% of adjusted gross receipts for non-adopting boats, graduated rate structure ranging from 15% to 35% for boats opting for flexible boarding. Caps the host counties at the amount of money they were eligible to receive between July 1, 2002 and June 30, 2003.

"Revenue Sharing" for counties without Riverboats



Creates a \$33 million revenue sharing program. The \$33 million is to be shared with counties, cities and towns that do not have riverboats in their county. The bill dictates how the money is to be spent. It must be spent for local Police and Fire Pensions, Municipal Sewer and Drinking Water Projects or additional property tax reduction. The money is distributed based on population.



Spending Controls

Includes State and Local Spending Controls to insure governmental spending does not increase faster than average growth in Indiana Personal Income. This will adversely affect the few counties that have AV growing faster than 5%. Historically, over the past twenty years, the rate of growth of personal income in Indiana has been slightly more than 5%. There is an appeals process for counties to seek a higher levy increase. This is for the 2003 budgets and the DLGF will give you your official growth quotient in late July.

Gas Tax



A \$.03 gas tax increase -\$.01 for local government, \$.01 for state highways and \$.01 for state bonding. When fully implemented, about \$32.5 million will go through the MVHA distribution fund. The tax increase is not effective until January 1, 2003; therefore, the new money generated by the \$.01 for locals will be received by the counties in February 2003 in their normal MVH check.