

## Indiana's Local Income Taxes

<b>CAGIT</b>	<b>COIT</b>	<b>CEDIT or EDIT</b>
<b>Full Name</b> County Adjusted Gross Income Tax	County Option Income Tax	County Economic Development Income Tax
<b>Year Passed</b> 1973, with major modifications in 1977, 1979, and 1986	1984	1987, modified in 2002 and 2006
<b>Indiana Code</b> I.C.6-3.5-1.1, 6-1.1-18.5	I.C. 6-3.5-6	I.C. 6-3.5-7
<b>Adopting Body</b> County council	County Income Tax Council (COIT Council), with 100 votes divided among county, cities and towns based on their shares in county population	County council if CAGIT has been adopted; COIT council if COIT has been adopted; either body if county has no local income tax
<b>Rates for County Residents</b> 0.5, 0.75, or 1.0% (Jackson and Pulaski Counties have higher rates, specially authorized by the General Assembly)	0.2% in first year rising to 0.6%; then to 1.0% at 0.1 point annual increments. COIT council may keep rate at any intermediate level.	0.1, 0.2, 0.25, 0.3, 0.35, 0.4, 0.45 or 0.5%. Add up to 0.25% for local option inventory deduction.
<b>Rates for Nonresidents</b> 0.25%	One quarter of resident rate	Same as for residents
<b>Combined Maximum Rates</b> CAGIT + CEDIT, 1.25%	COIT + CEDIT, 1%	CEDIT + CAGIT, 1.25% CEDIT + COIT, 1% Add up to 0.25% for local option inventory deduction
<b>Effect on Local Government Budgets</b> Revenue raised by first 0.25% rate reduces property taxes directly. Revenue from the next 0.25% reduces property taxes through reduced maximum property tax levy. Revenue from the third 0.25% replaces Federal Revenue Sharing lost since 1985, with the remainder used to reduce property taxes. One-half of the final 0.25 may be added to budgets in the adoption year. Annual increases from all but revenue from first 0.25 may be added to budgets.	Budget may rise by full amount of revenue received. County has option to reduce property tax levy by increasing homestead credit by a maximum of 8%, in addition to the state 20%.	Budget may rise by full amount of revenue received. Revenue may be used for any lawful purpose for which money in any other fund may be used (IC 6-3.5-7-13.1 version b).  As of 2007 Indiana no longer taxes inventories. Counties may raise the homestead credit to protect homeowners from the tax shift, paying for the homestead credit with an EDIT rate of up to 0.25%.
<b>Revenue Distribution</b> Property tax replacement credits are revenue from first 0.25% rate. PTRC revenues are divided among all local jurisdictions, the remainder--certified shares--divided only among civil units (not schools). Division is based on property tax levy shares.	Each jurisdiction's loss from increased homestead credit (if adopted) is replaced. Remainder divided among civil units (not schools) based on property tax levy shares.	Divided among county, cities, and towns based on property tax levy shares or based on population shares.  Each jurisdiction's loss from increased homestead credit (if adopted after elimination of inventory tax) is replaced.
<b>Distribution Dates</b> May 1 and November 1	First of each month	May 1 and November 1
<b>Number of Counties (1/1/07)</b> 56 CAGIT + CEDIT: 49	28 COIT + CEDIT: 19	74 CEDIT ONLY: 6