


Indiana
Department of Local Government Finance

Committed to a fair and equitable property tax system for Hoosier taxpayers.

Clerk Treasurer's Conference

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Fall 2016

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 **Topics**

- Processing of 2017 Budgets
 - SEA 321: Budget Streamlining
 - 1782 Notices
 - What to Expect, and
 - How to Respond
- Changes to Local Income Taxes
- Year-end Budget Calendar
- Reminders

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2017 Budget

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SEA 321

- Summary of changes required by SEA 321:
 - Political subdivision must consider the “net” property tax revenue that will be collected;
 - The political subdivision must take into account the amount of circuit breaker credits estimated by the Department (or "net budgeting");
 - Repealed and replaced county fiscal body review;
 - Replaced with county fiscal body review of estimated maximum levies and circuit breaker credits. Repealed penalties for non-compliance.

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SEA 321

- Summary of changes required by SEA 321:
 - Level of budget review by the Department depends on the budgets and levies adopted at the local level;
 - Makes several changes to the budget calendar;
 - Changes to cumulative funds;
 - Makes minor changes to maximum levy calculation.

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SEA 321

- Summary of changes required by SEA 321:
 - Requires RDC to report excess TIF AV by June 15;
 - Many changes not effective until 2018 or 2019 budgets.

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SEA 321

- "Net budgeting":
 - The Department shall provide to each unit that levies property taxes, an estimate of the reduction in taxes due to circuit breaker credits;
 - The Department requested certain information in order to calculate the estimates. Information was for anticipated debt issues, maximum levy appeals, or anything that would affect the amount of property taxes to be levied in the ensuing year.

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SEA 321

- "Net budgeting" (IC 6-1.1-17-3(a)):
 - In order to estimate circuit breaker credits, the Department had to make several assumptions:
 - Each unit would levy up to their max levy;
 - Each unit would use the maximum rate for cumulative funds;
 - All proposed debt would be issued;
 - Any unit that was considering an excessive levy appeal would be successful; and
 - Estimated AV equaled 2016 CNAV.

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SEA 321

- "Net budgeting":
 - Assumptions resulted in a higher estimate of circuit breaker credits.
 - In many cases, circuit breaker estimates were considerably higher than those estimated for 2016;
 - Credits were added to appropriations and then subtracted for public notice of budget estimate to arrive at the "net budget" required by SEA 321.

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SEA 321

- Circuit Breaker effect on budget forms:
 - CB credit was added to budget on Form 1;
 - CB shown separately on Notice to Taxpayers (Form 3) and subtracted from budget request to show "net budget";
 - CB also included on Form 4A as an appropriation;
 - Line 1 (appropriation request) on Form 4B also included circuit breaker amount;
 - Property tax levy and tax rate are calculated in the same manner as they were in the past.

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SEA 321

- Changes to cumulative funds (IC 6-1.1-17-16.7):
 - Changes deadline to establish or re-establish a cumulative fund to *before May 1* for years after 2017. 2017 is the last year to submit cumulative funds to establish by August 1.
 - Adjustment to maximum levy no longer contemplates amount of cumulative fund levied in 1984.

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Department Budget Review

- Budget Review by the Department:
 - Effective for 2016 pay 2017 budgets;
 - The Department will conduct budget reviews similar as in the past for debt service funds and rate-controlled funds (cumulative funds);
 - Level of review for levy controlled funds will be contingent on the budgets and levies adopted by the local fiscal bodies. (IC 6-1.1-17-16)

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Department Budget Review

- Three levels of Budget Review (IC 6-1.1-17-16):
 1. Adopted levies exceed estimated maximum levies:
 - Same level of review as currently exists (budgets, revenues, levies, and rates)
 2. Adopted levies are within estimated maximum levies, BUT budgets are not fundable:
 - Same level as currently exists.
 3. Adopted levies are within maximum estimated levies AND budgets are fundable:
 - Shortened review (levies and rates)
 - Adopted budgets and levies accepted.

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Department Budget Review

- Budget Review:
 - Provides for streamlined budget review by the Department if political subdivision adopts funded budgets within levy limits of IC 6-1.1-18.5-3;
 - Allows for an abbreviated budget review by the Department of both levies and rates;
 - Allows for the Department to accept the adopted budgets and revenues;
 - All requirements for public notices and meetings still apply.

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Department Budget Review

- Budget Review:
 - The Department review is to ensure that the budget for each fund subject to levy limits is affordable;
 - The Department certifies a budget for all other funds;
 - For 2017, the Department will make a permanent adjustment to levy limits equal to the amount in 2016 for bank personal property (FIT).

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Impact on 1782 Notice

- Basic format of 1782 Notice will not change this year;
 - Appropriations and levies are not to exceed amounts on Form 3 (Notice to Taxpayers) or the amounts adopted by the fiscal body;
 - 1782's still cannot be issued until the budget of every unit in the county is finished;
 - Maximum levies still cannot be calculated until budget is worked and 1782's are prepared. All amounts prior to that are estimates.

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1782 Notices

- Notices are distributed via email. The Department recommends that all units have their Notice sent to multiple email addresses;
- Units have 10 days to respond after the Department issues a 1782 Notice;
- Your response must be submitted electronically to either 1782notices@dlgf.in.gov or by fax to (317) 232-0178.

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1782 Notice

- 1782 Notice Consists of:
 - “Notice of Final Budget Recommendation;”
 - “Notes Report” by fund;
 - “Fund Report” by fund;
 - “Estimates of Miscellaneous Revenues;”
 - “Max Levy Report;”
 - “Miscellaneous Changes and Approved Levy Increase;”
 - “Rate Cap Calculations.”

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1782 Response

- Important Areas to Check:
 - Compare the Fund Report lines 1 (appropriation) and line 16 (property tax levy) to the Notice to Taxpayers;
 - Compare the property tax levy and rate for each fund to the tax levy and rate for each fund on the 2016 Budget Order;
 - Compare the assessed values on the fund report to the most recent estimates you received from the county auditor.

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1782 Response

- Important Areas (Continued):
 - Compare the Department estimated revenues (lines 8A & 8B) to the estimates you had calculated;
 - Compare the Miscellaneous Revenue Report to your actual revenues in the second half of 2016.
 - Compare the July to Dec. Estimated Expenditures to your estimate (Line 2);
 - Compare the 1782 projected Operating Balance (line 11) to your projections;
 - Analyze the Max Levy Report and the Miscellaneous Changes report.

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1782 Response

- Most common requested changes are:
 - Reductions to Line 2 (2nd Half CY Expense);
 - Adjustments to Miscellaneous Revenues;
 - Adjustment of tax rates and levies between funds (if possible);
 - Restore a reduced property tax levy (if possible);
 - Correction to a property tax rate (if possible);
 - Increases to line 1 (appropriations) assuming available balances exist.

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1782 Response

- Adjustments to Line 2:
 - Reductions to 2nd half of current year expenditures should be done with passage of ordinance making the reduction by indicating the fund, department, classification of expense, and the amount;
 - Executive can also “order” reductions under IC 36-4-7-8 to an executive department. Legislative body may reduce any appropriation by ordinance.
 - The Department will require a copy of the order or ordinance to reduce line 2.

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1782 Response

- **IC 36-4-7-8 Ordinances; additional appropriations or decrease**
- Sec. 8. After the passage of the appropriation ordinance, the city legislative body may, on the recommendation of the city executive, make further or additional appropriations by ordinance, unless their result is to increase the tax levy set under IC 6-1.1-17. The legislative body may, by ordinance, decrease any appropriation. The executive may, by executive order, decrease the appropriation made for any executive department.

As added by Acts 1980, P.L.212, SEC.3. Amended by Acts 1980, P.L.73, SEC.10.

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Local Income Taxes (LIT)

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HEA 1081 - LIT

- HEA 1081 restructured Indiana's local income tax:
- Former Taxes:
 - IC 6-3.5-1.1: County Adjusted Gross Income Tax (CAGIT)
 - IC 6-3.5-6: County Option Income Tax (COIT)
 - IC 6-3.5-7: County Economic Development Income Tax (CEDIT)
- Local Income Tax, or "LIT"

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HEA 1081 - LIT

- New Structure:
 - Expenditure: Certified Shares
 - IC 6-3.6-6-10
 - Expenditure: Public Safety
 - IC 6-3.6-6-8
 - Expenditure: Economic Development
 - IC 6-3.6-6-9
 - Property Tax Relief
 - IC 6-3.6-5
 - Special Purpose
 - IC 6-3.6-7

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HEA 1081 - LIT

- Maximum Rates:
 - 2.5% in all counties except Marion
 - 2.75% in Marion County
- The adopting body may not allocate less to the payment of bonds or leases than the amount pledged. IC 6-3.6-6-5.
- Revenue allocated to public safety shall be distributed to the county and each municipality in the same manner as under the former taxes.

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“LIT” Adopting Body

- If a county income tax council adopted either a COIT or CEDIT rate that was in effect on January 1, 2015, then that same income tax council is the adopting body of the new LIT.
- For all other counties, the adopting body is the county fiscal body.
- IC 6-3.6-3-1

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"LIT" Public Hearing

- A member of the local income tax council must hold a public hearing with proper notice before a member may propose or vote on a proposed ordinance. IC 6-3.6-3-7
- A county council must hold a public hearing with proper public notice before the council can vote on a proposed ordinance. IC 6-3.6-3-7.5

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Effective Date of LIT Ordinances

- Ordinance that adopts, increases, decreases, or rescinds a tax or tax rate:
 - Adopted January 1 to August 31: Effective October 1 of the same year;
 - Adopted September 1 to October 31: Effective January 1 of next year;
 - Adopted November 1 to December 31: Effective October 1 of the following year.

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Budget Calendar

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Year End Budget Calendar

- Oct. 11 Last possible date to post 2017 budget notice to taxpayers.
- Oct. 19 Last day to file excessive levy appeals.
- Oct. 22 Last possible day to hold public hearing on 2017 budget proposal. In Marion County and 2nd class cities, public hearing may be held any time after introduction of budget. (IC 6-1.1-17-5(a))
- Oct. 31 Last possible day for 10 or more taxpayers to object to 2017 budget, tax rate, or tax levy.

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Year End Budget Calendar

- Oct. 31 Deadline to adopt ordinance modifying local income tax rates effective in 2017.
- Nov. 1 Deadline to adopt 2017 budgets, rates, and levies.
 - Deadline for 2nd and 3rd class cities to adopt salary ordinances for employees other than elected officials.
- Nov. 3 Last day for units to submit 2017 budgets via Gateway.

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Year End Budget Calendar

- Dec. 16 Last day to submit 2016 additional appropriation requests to the Department.
- Dec. 30 Deadline for units to file shortfall excess levy appeals.
 - Deadline for towns to adopt salary ordinance for 2017.
 - Last day for new units to become established to qualify for property taxes payable in 2018.

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Year End Budget Calendar

- Jan. 1 Effective date for income tax changes adopted between September 1 and October 31, 2016.
 - Assessment and valuation date.

- Feb. 15 The Department certifies 2017 budgets, tax levies, and tax rates.

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Reminders

- SEA 67 – Provided for the special distribution from the county's (income tax) trust account but the money only be expended with an appropriation.

- SEA 327 – Effective July 1, 2016; Requires political subdivisions to scan and upload to Gateway the image of contracts where payments in that year exceed 10% of the property tax levy or \$50,000. Upload must be not later than 60 days after contract is executed.

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Reminders

- File with the SBOA the 2015 Annual Report (CTAR);
- File with the SBOA the Annual Salary report (100R);
- Statement from executive that unit has implemented a Nepotism and Contracting Policy;
- Be certain your fiscal body members sign the Budget Form 4 and indicate how they voted;
- Submit all budget forms to the Department within 48 hours of adoption;
- Review the 1782 Notice and respond ASAP but within 10 days.

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Resources

- Excess Levy Appeals Memo:
- <http://www.in.gov/dlgf/files/pdf/160728%20-%20Schaafsma%20Memo%20-%20Review%20of%20Excess%20Levy%20Appeals.pdf>
- Voting in Budgets by Volunteer Firefighters:
- <http://www.in.gov/dlgf/files/pdf/160719%20-%20Schaafsma%20Memo%20-%20Reminder%20Concerning%20Voting%20on%20Budgets%20by%20Volunteer%20Firefighters.pdf>
- Revised 2016-2017 Budget Calendar:
- http://www.in.gov/dlgf/files/pdf/160621_-_Jones_Memo_-_Budget_Calendar_Revised.pdf

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Resources

- Income Tax Distributions:
- <http://www.in.gov/dlgf/files/pdf/160818%20-%20Schaafsma%20Memo%20-%20Local%20Income%20Tax%20Estimated%20Distributions%20for%202017.pdf>
- Estimated Miscellaneous Revenues:
- <http://in.gov/dlgf/files/160729%20-%20Estimated%20Miscellaneous%20Revenues%20for%20Budget%20Year%202017.pdf>
- Contract Reporting Requirements:
- http://www.in.gov/dlgf/files/pdf/160524_-_Schaafsma_Memo_-_Contract_Reporting_Requirements.pdf

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Contact the Department

- Dan Jones, Asst. Dir. Budget Division
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- Website: www.in.gov/dlgf
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