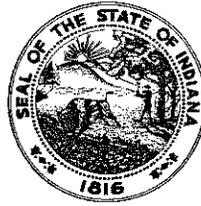


# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** All Political Subdivisions  
**FROM:** Brian E. Bailey, Commissioner   
**RE:** Allocation of Tax Revenue Subject to "Circuit Breaker" Credits  
**DATE:** June 29, 2012

On March 19, 2012, Governor Mitch Daniels signed into law House Enrolled Act 1072 ("HEA 1072"), which addresses the way in which tax revenue subject to reduction by property tax credits under IC 6-1.1-20.6 (the "circuit breakers") is to be allocated.

Section 35 of HEA 1072, effective July 1, 2012, introduces two new terms to IC 6-1.1-20.6-9.8: "protected taxes" and "unprotected taxes."

The term "protected taxes" means the following:

- (A) Property taxes that are exempted from the application of a "circuit breaker" credit granted under IC 6-1.1-20.6-7(b) or 7(c), IC 6-1.1-20.6-7.5(b) or 7.5(c), or another law.
- (B) Property taxes imposed by a political subdivision to pay for its debt service obligations<sup>[1]</sup> that are not exempted from the application of a "circuit breaker" credit granted under IC 6-1.1-20.6-7(b) or 7(c), IC 6-1.1-20.6-7.5(b) or 7.5(c), or another law (such property taxes are subject to the credit granted under IC 6-1.1-20.6-7(b) or 7(c) or IC 6-1.1-20.6-7.5(b) or 7.5(c) regardless of their designation as protected taxes).

The term "unprotected taxes" refers to property taxes that are not protected taxes.

The total amount collected from protected taxes must be allocated to the fund for which the protected taxes were imposed as if no credit were granted under IC 6-1.1-20.6-7 or IC 6-1.1-20.6-7.5. The total amount of the loss in revenue resulting from the granting of credits under IC 6-1.1-20.6-7 or IC 6-1.1-20.6-7.5 must reduce only the amount of unprotected property taxes distributed to a fund in proportion to the unprotected rate tax imposed for that fund relative to the total of all unprotected tax rates imposed by the taxing unit.

Questions may be directed to Staff Attorney Mike Duffy at (317) 233-9219 or [mduffy@dlgf.in.gov](mailto:mduffy@dlgf.in.gov).

<sup>1</sup> "Debt service obligations of a political subdivision" refers to:  
(A) the principal and interest payable during a calendar year on bonds; and  
(B) lease rental payments payable during a calendar year on leases;  
of a political subdivision payable from ad valorem property taxes.