

# Property Tax Levy Control in Indiana

Levy Controlled Funds	Rate Controlled Funds (and need controlled funds)	Debt Service Funds
<b>Control Mechanism</b>		
<p>Growth is controlled by the "Growth Quotient" (six year average of non-farm personal income growth). IC 6-1.1-18.5-2</p>	<p>Growth is controlled by a fixed tax rate for rate controlled funds and by a demonstration of need for need controlled funds. IC 6-1.1-18 &amp; IC 6-1.1-18.5</p>	<p>Growth is controlled by being limited to the amount of principal and interest on approved property tax supported debt. IC 6-1.1-18.5 &amp; IC 20-45-3</p>
<b>Levy Increases</b>		
<p>Controlled levies, in total, will increase by the same percentage unless subject to an exception (the taxing unit can increase one controlled fund levy and decrease another as long as the total stays within the maximum). IC 6-1.1-18.5</p>	<p>Rate controlled levy increases will generally equal the rate of real growth in assessed value within the taxing unit, up to the rate cap set for the fund. IC 6-1.1-20-1 &amp; IC 6-1.1-18-4</p>	<p>The percentage increase in debt service levies is not pre-determined and can be significant depending upon the amount of debt approved. IC 6-1.1-20-3.1</p>
<b>Levy Control Exceptions</b>		
<p>Exceptions allow increases in excess of the normal maximum levy increase. The exceptions are:</p> <p>Normal Events governed by the taxing unit. Examples:</p> <p>Annexation – increase based on the percentage of new area served (up to a 15% maximum).</p> <p>CAGIT Counties – because the amount of CAGIT used to reduce the levy is relatively fixed, and the Growth Quotient is applied to what the maximum levy would have been if CAGIT had not been adopted, the increase in the property tax levy is a higher percentage than the normal Growth Quotient. IC 6-3.5-1.1-1.1</p> <p>Creation of New Unit – new units have no prior maximum levy, therefore a budget and levy must be set for the new taxing unit, subject to state approval (most recent examples are Fire Protection Districts).</p> <p>Special Appeals subject to state approval by the Control Boards and the DLGF after a demonstration of need by the taxing unit. (These appeals are listed in IC 6-1.1-18.5 including prior year collection shortfalls, operation of new courts, excess growth, pension payments, fire protection and special exceptions available only to certain taxing units based on population parameters)</p>	<p>The tax rate for rate controlled funds are adjusted downward at each reassessment and for trending to eliminate the increase due to reassessment or trending and therefore allow only real growth increases in rate controlled funds. IC 6-1.1-20-3.1</p> <p>Capital projects funds for schools and libraries are both rate controlled and need controlled. Units must adopt a plan to document needs. IC 20-46-6 et seq.</p> <p>Need controlled funds have no rate cap and levies are set based on the demonstrated need. An example is the School Bus Replacement Fund for which the school must adopt a plan to document its needs. IC 6-1.1-18-12</p>	
<p>The percentage increase in the total levy of a taxing unit depends upon the mix of levy controlled, rate controlled and debt service funds. Levy controlled funds typically see unusual increases only when subject to one of the exceptions. Generally, rate controlled funds make up a small part of the tax levy for civil taxing units and therefore have a small impact on the total tax levy. However, for schools, the primary rate controlled fund is the Capital Projects Fund, for which levy growth can be significant. Therefore most significant increases in property tax levies are due to new or increased debt service levies or excess levy appeals.</p>		