

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Local Government Fiscal Officers
FROM: Timothy J. Rushenberg, Commissioner
RE: Fire Protection Territories
DATE: Updated December 2, 2009

TJR
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This memorandum provides guidance on three amendments to the Indiana Code regarding the establishment, change of provider unit, and property tax levy controls for fire protection territories in the civil taxing unit's first year as a participating unit in the fire protection territory ("territory").

Are property taxes for fire services outside the maximum levy?

Yes, in some cases. If a fire protection territory was established before August 1, 2001, the property taxes imposed for fire protection services are not subject to the maximum property tax levy controls for civil taxing units participating in the territory. In other words, when calculating the civil taxing unit's maximum levy, the levy of the fire protection territory is not considered if the territory was established before August 1, 2001.

If a territory is established after July 31, 2001, the property taxes imposed for fire protection services are not subject to the maximum levy for the first three (3) calendar years in which the participating unit levies a tax to support the territory.

Is there a limit on how much property taxes imposed in a territory can increase each year?

Yes. For property taxes first due and payable beginning in 2009, any property taxes imposed by a civil taxing unit that are exempted from the participating unit's maximum levy may not increase annually by a percentage greater than the result of assessed value growth quotient (AVGQ). The AVGQ for 2010 is 3.8%. In other words, for 2010, the property tax levy imposed to support a territory cannot increase more than 3.8% over the amount imposed in 2009.

Does the limit on how much property tax levies can increase apply to a civil taxing unit in their first year as part of a territory?

No. The AVGQ limit does not apply in the first year the civil taxing unit participates in a fire protection territory.

How is the territory’s budget, levy and tax rate set for the first year?

In the first year, the civil taxing unit must submit its proposed budget, levy and rate to the Department of Local Government Finance (“Department”). The Department makes a final determination for that calendar year by considering how much the civil taxing unit is obligated to provide to meet the expenses of operation and maintenance of the services within the territory, plus a reasonable operating balance, not to exceed twenty percent (20%) of the budgeted expenses.

For purposes of applying the AVGQ growth limits to the civil taxing unit’s property tax levy for the territory in subsequent calendar years, the Department may determine not to consider part or all of the part of the first year property tax levy imposed to establish an operating balance.

Can the participating units change the provider unit of a territory?

Yes. The participating units may agree to change the provider unit by adopting an ordinance (if the unit is a county or municipality) or a resolution (if the unit is a township). All participating units must agree and specify who the provider unit is. The participating units cannot change provider units more than once in a year. Ordinances or resolutions must be adopted between January 2 and March 31 of a year. These become effective on January 1 of the following year.

Will the creation of a territory change the proportion of local income tax revenues or excise taxes a participating unit receives?

No. HEA 1001 Section 442 amended the distribution formula so that participating units will receive income taxes and excise taxes based on the amount and proportion of the property taxes they levied in the year before becoming a participating unit in the territory.

Contact Information

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