

# HOUSE BILL No. 1321

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-10.3-11-4; IC 6-1.1-18.5-10.6.

**Synopsis:** Property tax levy limits. Provides that the legislative body of a city or town may adopt an ordinance providing that the property tax levy limits do not apply to property taxes imposed by the city or town to raise revenue for pension payments and contributions that the city or town is required to make for police officers and firefighters. Provides an adjustment to the "m portion" of the pension relief fund distributions to a city or town that adopts the ordinance.

**Effective:** July 1, 1998.

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January 13, 1998, read first time and referred to Committee on Local Government.

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Introduced

Second Regular Session 110th General Assembly (1998)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1997 General Assembly.

## HOUSE BILL No. 1321

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A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 5-10.3-11-4, AS AMENDED BY P.L.26-1996,  
2 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 1998]: Sec. 4. (a) ~~Monies~~ **Money** from the pension relief fund  
4 shall be paid annually by the state board under the procedures specified  
5 in this section.

6 (b) Before April 1 of each year, each unit of local government must  
7 certify to the state board:

8 (1) the amount of payments made during the preceding year for  
9 benefits under its pension funds covered by this chapter, referred  
10 to in this section as "pension payments";

11 (2) the data determined necessary by the state board to perform an  
12 actuarial valuation of the unit's pension funds covered by this  
13 chapter; and

14 (3) the names required to prepare the list specified in subsection

15 (c).

16 A unit is ineligible to receive a distribution under this section if it does  
17 not supply before April 1 of each year (i) the complete information

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1 required by this subsection; or (ii) a substantial amount of the  
 2 information required if it is accompanied by an affidavit of the chief  
 3 executive officer of the unit detailing the steps which have been taken  
 4 to obtain the information and the reasons the complete information has  
 5 not been obtained. This subsection supersedes the reporting  
 6 requirement of IC 5-10-1.5 as it applies to pension funds covered by  
 7 this chapter.

8 (c) Before July 1 of each year, the state board shall prepare a list of  
 9 all police officers and firefighters, active, retired, and deceased if their  
 10 beneficiaries are eligible for benefits, who are members of a police or  
 11 fire pension fund that was established before May 1, 1977. The list may  
 12 not include police officers, firefighters, or their beneficiaries for whom  
 13 no future benefits will be paid. The state board shall then compute the  
 14 present value of the accrued liability to provide the pension and other  
 15 benefits to each person on the list.

16 (d) Before July 1 of each year, the state board shall determine the  
 17 total pension payments made by all units of local government for the  
 18 preceding year and shall estimate the total pension payments to be  
 19 made to all units in the calendar year in which the July 1 occurs.

20 (e) Each calendar year the state board shall distribute to each unit  
 21 of local government, in two (2) equal installments on or before June 30  
 22 and on or before October 1, an amount ( $D_y$ ) determined by the  
 23 following STEPS:

24 STEP ONE. Subtract the total distribution made to units ( $D_{y-1}$ ) in the  
 25 preceding calendar year from the total pension payments made by units  
 26 ( $P_{y-1}$ ) in the preceding calendar year.

27 STEP TWO. Multiply the STEP ONE difference by  $(1+k)$  as  $(k)$  is  
 28 determined in STEP THREE.

29 STEP THREE. Determine the annual percentage increase  $(k)$  in the  
 30 STEP ONE difference which will allow the present value of all future  
 31 estimated distributions, as computed under STEP FOUR, from the  
 32 pension relief fund to equal the "k portion" of the pension relief fund  
 33 balance plus the present value of all future receipts to the "k portion"  
 34 of the fund, but which will not allow the "k portion" of the pension  
 35 relief fund balance to be negative. These present values shall be  
 36 determined based on the current long term actuarial assumptions. The  
 37 "k portion" of the pension relief fund balance is the total pension relief  
 38 fund balance less the "m portion" of the fund. The percentage increase  
 39  $(k)$  shall be computed to the nearest one thousandth of one percent  
 40 (.001%). All years, after the year 2000, in which the receipts to the  
 41 fund plus the net pension payments by all the units equal or exceed the  
 42 total pension payments shall be ignored for the purposes of these



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1 calculations.

2 STEP FOUR. Subtract the STEP TWO product from the estimated  
3 total pension payments to be made by all units ( $P_y$ ) in the calendar year  
4 in which the distribution is to be made.

5 STEP FIVE. Multiply the STEP FOUR difference by one-half (1/2)  
6 of the sum of two quotients, (1) the quotient of the unit's number of  
7 police officers and firefighters on December 31 of the year before the  
8 year of the distribution who are members of a pension fund established  
9 before May 1, 1977, who are retired, and who are deceased if their  
10 beneficiaries are eligible for benefits (unit) divided by the total number  
11 of these police officers and firefighters (total units) on December 31 of  
12 the year before the year of the distribution in all units plus (2) the  
13 quotient of the unit's pension payments (payments) divided by the total  
14 pension payments (total payments) by all units.

15 Expressed mathematically:

$$16 D_y = (P_y - ((P_{y-1} - D_{y-1}) \times (1 + k))) \times 1/2$$

17 (unit/(total unit) + payment/(total payment)).

18 (f) If in any year the distribution made to a unit of local government  
19 is larger than the unit's pension payments to its retirees and their  
20 beneficiaries for that year, the excess may not be distributed to the unit  
21 but must be transferred to the 1977 police officers' and firefighters'  
22 pension and disability fund and the unit's contributions to that fund  
23 shall be reduced for that year by the amount of the transfer.

24 (g) If in any year after 2000, the STEP FOUR difference under  
25 subsection (e) is smaller than the revenue to the pension relief fund in  
26 that year, then the revenue plus interest plus the fund balance in that  
27 year shall be used in STEP FIVE of subsection (e) instead of the STEP  
28 FOUR difference.

29 (h) The state board shall have its actuary report annually on the  
30 appropriateness of the actuarial assumptions used in determining the  
31 distribution amount under subsection (e). At least every five (5) years,  
32 the state board shall have its actuary recompute the value of (k) under  
33 STEP TWO of subsection (e).

34 (i) Each calendar year the state board shall determine the amounts  
35 to be allocated to the "m portion" of the pension relief fund under the  
36 following STEPS, which shall be completed before July 1 of each year:

37 STEP ONE. The state board shall determine the following:

38 (1) "Excess earnings", which are the state board's projection of  
39 earnings for the calendar year from investments of the "k portion" of  
40 the fund that exceed the amount of earnings that would have been  
41 earned if the rate of earnings was the rate assumed by the actuary of the  
42 state board in his calculation of (k) under STEP THREE of subsection



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1 (e).

2 (2) "Prior deficit amount", which is:

3 (A) the amount of earnings that would have been earned under  
4 the rate assumed by the actuary of the state board in his  
5 calculation of (k) under STEP THREE of subsection (e);  
6 minus

7 (B) the amount of earnings received;

8 for a calendar year after 1981 in which (B) is less than (A).

9 STEP TWO. The state board shall distribute to the "m portion" the  
10 excess earnings less any prior deficit amounts.

11 (j) The "m portion" of the fund shall be any direct allocations plus:

12 (1) amounts allocated under subsection (i); and

13 (2) any earnings on the "m portion" less amounts previously  
14 distributed under subsection (l).

15 (k) The state board shall determine the units eligible for distribution  
16 from the "m portion" of the pension relief fund according to the  
17 following STEPS:

18 STEP ONE. Determine the amount of pension payments paid by the  
19 unit in the preceding calendar year, net of the amount of the  
20 distribution received by the unit under subsection (e) in that year, plus  
21 contributions made under IC 36-8-8 in that year.

22 STEP TWO. Divide the amount determined under STEP ONE by  
23 the amount of the maximum permissible ad valorem property tax levy  
24 for the unit as determined under IC 6-1.1-18.5 for the preceding  
25 calendar year. **However, for a city or town for which an ordinance  
26 adopted under IC 6-1.1-18.5-10.6 was in effect for the preceding  
27 calendar year, divide the amount determined under STEP ONE by  
28 the sum of:**

29 (1) **property taxes imposed by the city or town for the  
30 preceding calendar year to raise revenue for pension  
31 payments and contributions that the city or town is required  
32 to make under IC 36-8; plus**

33 (2) **the amount of the maximum permissible ad valorem  
34 property tax levy for the unit as determined under  
35 IC 6-1.1-18.5 for the preceding calendar year.**

36 STEP THREE. If the quotient determined under STEP TWO is  
37 equal to or greater than one-tenth (0.1), the unit shall receive a  
38 distribution under subsection (l).

39 (l) Before July 1 of each year, the state board shall distribute from  
40 the "m portion" of the pension relief fund to the extent there are assets  
41 in the "m portion" to each eligible unit an amount, not less than zero  
42 (0), determined according to the following STEPS:

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1 STEP ONE. For the first of consecutive years that a unit is eligible  
 2 to receive a distribution under this subsection, determine the amount  
 3 of pension payments paid by the unit in the calendar year two (2) years  
 4 preceding the calendar year net of the amount of distributions received  
 5 by the unit under subsection (e) in the calendar year two (2) years  
 6 preceding the calendar year.

7 STEP TWO. For the first of consecutive years that a unit is eligible  
 8 to receive a distribution under this subsection, divide the amount  
 9 determined under STEP ONE by the amount of the maximum  
 10 permissible ad valorem property tax levy for the unit as determined  
 11 under IC 6-1.1-18.5 for the calendar year two (2) years preceding the  
 12 calendar year. **However, for a city or town for which an ordinance  
 13 adopted under IC 6-1.1-18.5-10.6 was in effect for the calendar  
 14 year two (2) years preceding the calendar year, divide the amount  
 15 determined under STEP ONE by the sum of:**

16 (1) property taxes imposed by the city or town for the  
 17 calendar year two (2) years preceding the calendar year to  
 18 raise revenue for pension payments and contributions that the  
 19 city or town is required to make under IC 36-8; plus

20 (2) the amount of the maximum permissible ad valorem  
 21 property tax levy for the unit as determined under  
 22 IC 6-1.1-18.5 for the calendar year two (2) years preceding  
 23 the calendar year.

24 STEP THREE. For the first and all subsequent consecutive years  
 25 that a unit is eligible to receive a distribution under this subsection,  
 26 multiply the amount of the maximum permissible ad valorem property  
 27 tax levy for the unit as determined under IC 6-1.1-18.5 for the  
 28 preceding calendar year by the quotient determined under STEP TWO.  
 29 **However, for a city or town for which an ordinance adopted under  
 30 IC 6-1.1-18.5-10.6 was in effect for the preceding calendar year,  
 31 multiply the STEP TWO amount by the sum of:**

32 (1) property taxes imposed by the city or town for the  
 33 preceding calendar year to raise revenue for pension  
 34 payments and contributions that the city or town is required  
 35 to make under IC 36-8; plus

36 (2) the amount of the maximum permissible ad valorem  
 37 property tax levy for the unit as determined under  
 38 IC 6-1.1-18.5 for the preceding calendar year.

39 STEP FOUR. Subtract the amount determined under STEP THREE  
 40 from the amount of pension payments paid by the unit in the preceding  
 41 calendar year, net of distributions received under subsection (e) for the  
 42 preceding calendar year.



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1 SECTION 2. IC 6-1.1-18.5-10.6 IS ADDED TO THE INDIANA  
 2 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 3 [EFFECTIVE JULY 1, 1998]: **Sec. 10.6. (a) The legislative body of**  
 4 **a city or town may adopt an ordinance providing that the ad**  
 5 **valorem property tax levy limits imposed by section 3 of this**  
 6 **chapter do not apply to ad valorem property taxes imposed by the**  
 7 **city or town to raise revenue for pension payments and**  
 8 **contributions that the city or town is required to make under**  
 9 **IC 36-8.**

10 (b) This subsection applies if the legislative body of a city or  
 11 town adopts an ordinance under subsection (a). For the purposes  
 12 of computing the ad valorem property tax levy limits imposed on  
 13 the city or town by section 3 of this chapter, the ad valorem  
 14 property tax levy of the city or town for a particular calendar year  
 15 does not include that part of the levy imposed by the city or town  
 16 to raise revenue for pension payments and contributions that the  
 17 city or town is required to make under IC 36-8.

18 SECTION 3. [EFFECTIVE JULY 1, 1998] IC 6-1.1-18.5-10.6, as  
 19 added by this act, applies only to property tax levy limits computed  
 20 for property taxes first due and payable after December 31, 1998.

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