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# HOUSE BILL No. 1345

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-1.1-17-6; IC 6-1.1-17-16.

**Synopsis:** Reduction of local surplus funds. Specifies that the county board of tax adjustment and the state board of tax commissioners on appeal must consider the year end balances of a taxing unit's operating funds and reduce the taxing unit's levy so that the balance is reduced to not more than 30% of the previous year's expenditures unless the taxing unit can justify a need for a higher balance.

**Effective:** January 1, 1999.

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January 13, 1998, read first time and referred to Committee on Ways and Means.

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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.

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# HOUSE BILL No. 1345



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 6-1.1-17-6, AS AMENDED BY P.L.50-1996,  
2 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 1999]: Sec. 6. (a) The county board of tax adjustment  
4 shall review the budget, tax rate, and tax levy of each political  
5 subdivision filed with the county auditor under section 5 or 5.1 of this  
6 chapter. The board shall revise or reduce, but not increase, any budget,  
7 tax rate, or tax levy in order **to do the following:**  
8 (1) ~~to~~ Limit the tax rate to the maximum amount permitted under  
9 IC 6-1.1-18. ~~and~~  
10 (2) ~~to~~ Limit the budget to the amount of revenue to be available  
11 in the ensuing budget year for the political subdivision.  
12 (3) **Limit the year-end cash and operating balances for a**  
13 **political subdivision's operating funds so that the balance does**  
14 **not exceed thirty percent (30%) of the previous year's**  
15 **expenditures from the operating funds. However, the state**  
16 **board of tax commissioners may adjust or eliminate the**  
17 **reduction if the political subdivision can justify a need for a**



1 **higher balance.**

2 (b) The county board of tax adjustment shall make a revision or  
3 reduction in a political subdivision's budget only with respect to the  
4 total amounts budgeted for each office or department within each of the  
5 major budget classifications prescribed by the state board of accounts.

6 (c) When the county board of tax adjustment makes a revision or  
7 reduction in a budget, tax rate, or tax levy, it shall file with the county  
8 auditor a written order which indicates the action taken. If the board  
9 reduces the budget, it shall also indicate the reason for the reduction in  
10 the order. The chairman of the county board shall sign the order.

11 SECTION 2. IC 6-1.1-17-16, AS AMENDED BY P.L.50-1996,  
12 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
13 JANUARY 1, 1999]: Sec. 16. (a) Subject to the limitations and  
14 requirements prescribed in this section, the state board of tax  
15 commissioners may revise, reduce, or increase a political subdivision's  
16 budget, tax rate, or tax levy which the board reviews under section 8 or  
17 10 of this chapter.

18 (b) Subject to the limitations and requirements prescribed in this  
19 section, the state board of tax commissioners may review, revise,  
20 reduce, or increase the budget, tax rate, or tax levy of any of the  
21 political subdivisions whose tax rates compose the aggregate tax rate  
22 within a political subdivision whose budget, tax rate, or tax levy is the  
23 subject of an appeal initiated under this chapter.

24 (c) Except as provided in subsection ~~(i)~~; **(j)**, before the state board  
25 of tax commissioners reviews, revises, reduces, or increases a political  
26 subdivision's budget, tax rate, or tax levy under this section, the board  
27 must hold a public hearing on the budget, tax rate, and tax levy. The  
28 board shall hold the hearing in the county in which the political  
29 subdivision is located. The board may consider the budgets, tax rates,  
30 and tax levies of several political subdivisions at the same public  
31 hearing. At least five (5) days before the date fixed for a public hearing,  
32 the board shall give notice of the time and place of the hearing and of  
33 the budgets, levies, and tax rates to be considered at the hearing. The  
34 board shall publish the notice in two (2) newspapers of general  
35 circulation published in the county. However, if only one (1)  
36 newspaper of general circulation is published in the county, the board  
37 shall publish the notice in that newspaper.

38 (d) Except as provided in subsection ~~(h)~~; **(i)**, IC 6-1.1-19, or  
39 IC 6-1.1-18.5, the state board of tax commissioners may not increase  
40 a political subdivision's budget, tax rate, or tax levy to an amount which  
41 exceeds the amount originally fixed by the political subdivision. The  
42 state board of tax commissioners shall give the political subdivision



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1 written notification specifying any revision, reduction, or increase the  
 2 state board of tax commissioners proposes in a political subdivision's  
 3 tax levy or tax rate. The political subdivision has one (1) week from the  
 4 date the political subdivision receives the notice to provide a written  
 5 response to the state board of tax commissioners' Indianapolis office  
 6 specifying how to make the required reductions in the amount budgeted  
 7 for each office or department. The state board of tax commissioners  
 8 shall make reductions as specified in the political subdivision's  
 9 response if the response is provided as required by this subsection and  
 10 sufficiently specifies all necessary reductions. The state board of tax  
 11 commissioners may make a revision, a reduction, or an increase in a  
 12 political subdivision's budget only in the total amounts budgeted for  
 13 each office or department within each of the major budget  
 14 classifications prescribed by the state board of accounts.

15 **(e) If the state board of tax commissioners reviews a political**  
 16 **subdivision's budget, tax rate, or tax levy under section 8 or 10 of**  
 17 **this chapter or a budget, tax rate, or tax levy is the subject of an**  
 18 **appeal initiated under this chapter, the board shall reduce the**  
 19 **budget, tax rate, and levy of a political subdivision to limit the**  
 20 **year-end cash and operating balances for the political subdivision's**  
 21 **operating funds so that the balance does not exceed thirty percent**  
 22 **(30%) of the previous year's expenditures from the operating**  
 23 **funds. However, the state board of tax commissioners may adjust**  
 24 **or eliminate the reduction if the political subdivision can justify a**  
 25 **need for a higher balance.**

26 ~~(e)~~ **(f)** The state board of tax commissioners may not approve a levy  
 27 for lease payments by a city, town, county, library, or school  
 28 corporation if the lease payments are payable to a building corporation  
 29 for use by the building corporation for debt service on bonds and if:

- 30 (1) no bonds of the building corporation are outstanding; or
- 31 (2) the building corporation has enough legally available funds on  
 32 hand to redeem all outstanding bonds payable from the particular  
 33 lease rental levy requested.

34 ~~(f)~~ **(g)** The action of the state board of tax commissioners on a  
 35 budget, tax rate, or tax levy is final. The board shall certify its action to:

- 36 (1) the county auditor; and
- 37 (2) the political subdivision if the state board acts pursuant to an  
 38 appeal initiated by the political subdivision.

39 ~~(g)~~ **(h)** The state board of tax commissioners is expressly directed  
 40 to complete the duties assigned to it under this section not later than  
 41 February 15th of each year for taxes to be collected during that year.

42 ~~(h)~~ **(i)** Subject to the provisions of all applicable statutes, the state

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1 board of tax commissioners may increase a political subdivision's tax  
2 levy to an amount that exceeds the amount originally fixed by the  
3 political subdivision if the increase is:

4 (1) requested in writing by the officers of the political  
5 subdivision;

6 (2) either:

7 (A) based on information first obtained by the political  
8 subdivision after the public hearing under section 3 of this  
9 chapter; or

10 (B) results from an inadvertent mathematical error made in  
11 determining the levy; and

12 (3) published by the political subdivision according to a notice  
13 provided by the state board of tax commissioners.

14 (†) (j) The state board of tax commissioners shall annually review  
15 the budget of each school corporation not later than April 1. The state  
16 board of tax commissioners shall give the school corporation written  
17 notification specifying any revision, reduction, or increase the state  
18 board of tax commissioners proposes in the school corporation's  
19 budget. A public hearing is not required in connection with this review  
20 of the budget.

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