

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6654

BILL NUMBER: SB 166

DATE PREPARED: Feb 1, 1999

BILL AMENDED: Jan 28, 1999

SUBJECT: CEDIT Revenue for Library Property Tax Replacement.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill would allow Hancock County to use County Economic Development Income Tax (CEDIT) revenues for purposes of replacing public library property taxes via property tax replacement credits (only if all territory in Hancock County is included in a library district). It would require that the Hancock County Treasurer establish a library property tax replacement fund in order to maintain CEDIT revenues in accordance with this bill.

It would entitle a public library that did not impose a property tax levy during the previous calendar year, to receive a portion of the property tax replacement credits to be distributed for the calendar year in accordance with this bill. For example, if a new public library were to be established in a current calendar year, and was not in existence to impose a property tax levy during the previous calendar year, it would be entitled to receive property tax replacement credits.

It would require the State Board of Tax Commissioners (the Board) to inform the Hancock County Auditor (the Auditor) of the amount of property tax replacement credits that each public library would be entitled to receive. For each public library that receives property tax credits, the Board would be required to certify to the Auditor, the property tax rate applicable to each public library fund after the property tax replacement credits have been allocated.

It would require the Auditor to certify, to each public library and to the Treasurer, the amount of property tax replacement credits that each public library would be entitled to receive.

It would require that a public library, to be eligible to receive property tax replacement credits, enter into reciprocal borrowing agreements with all other public libraries in the county.

It would prohibit the Hancock County Council (the Council) from designating for library property tax replacement purposes any CEDIT revenue that is generated by a tax rate of more than 0.15%. It would

require that any excess CEDIT library revenue, exceeding the total library property tax liability that would have otherwise been imposed for the calendar year, remain in the Library Property Tax Fund to be used for library property tax purposes in the following calendar year.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) The State's expense for property tax replacement credits (PTRC) would not be affected under the provisions of this bill.

Under current law, the State pays homestead credits equal to 10% of the portion of the library General Fund levies paid by homeowners through 2001. In 2002 and thereafter, the State will pay homestead credits equal to 4% of the portion of the library General Fund levies paid by homeowners. A reduction in Hancock County's library General Fund tax levies will result in a reduction of State homestead credits paid in Hancock County.

This bill would require the Board to inform the Auditor of the amount of property tax replacement credits that each public library would be entitled to receive, and to certify to the Auditor, the property tax rate applicable to each public library fund after the property tax replacement credits have been allocated.

These reporting requirements would not result in any additional cost to the State. The Board could fulfil this provision through its existing budget.

Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the State General Fund. Any change in these expenditures would ultimately affect the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill would require the Auditor to certify, to each public library and to the Treasurer, the amount of property tax replacement credits that each public library would be entitled to receive.

These reporting requirements would not result in any additional cost to Hancock County. The Auditor could fulfil this provision through its existing budget.

Explanation of Local Revenues: (Revised) Under current law, CEDIT revenues can be used for the following: 1) economic development; 2) construction of capital projects; and 3) retirement of bonds. This bill would allow Hancock County to use CEDIT revenues for purposes of replacing public library property taxes (the provisions of this bill would not limit Hancock County from using CEDIT revenues in accordance with current law if it so chooses).

Currently, Hancock County has two public libraries: Fortville Public Library and Greenfield Public Library. Both libraries levy property taxes for two different funds (e.g., General and Debt Service). For CY 1998, the gross levy for both of these entities totaled approximately \$594,209 with Fortville accounting for approximately 23% and Greenfield accounting for approximately 77%.

CEDIT LIBRARY PROPERTY TAX REPLACEMENT REVENUE

This bill would allow Hancock County to adopt a maximum CEDIT rate of 0.15% for purposes of replacing public library property taxes only if all territory in Hancock County is included in a library district (currently, not all territory in Hancock County is included in a library district). In order for all territory in Hancock County to be included in a library district, one of the two following scenarios would need to occur: 1) the expansion of one or both of Hancock County's two current library districts into the rest of the county; or 2) the establishment of one or more new library districts.

Regardless of which scenario occurs to expand library services to all territory in Hancock County, the gross levy for all library districts would be higher than the CY 1998 gross levy of approximately \$594,209 for Fortville and Greenfield Library Districts.

After all territory in Hancock County is included in a library district, this bill would prohibit the Council from designating for library property tax replacement purposes any CEDIT revenue that is generated by a tax rate of more than 0.15%. For example, based on Hancock County's 1999 projected adjusted gross income of \$1,017,844,500, no more than approximately \$1,526,767 ($\$1,017,844,500 * .15\%$) of CEDIT revenue could be designated by the Council for purposes of library property tax replacement.

EXCESS CEDIT LIBRARY PROPERTY TAX REPLACEMENT REVENUE

In addition, this bill would require that any excess CEDIT library revenue, exceeding the total library property tax liability that would have otherwise been imposed for the calendar year, remain in the Library Property Tax Fund to be used for library property tax replacement purposes in the following calendar year.

The adjusted levies (after reduction for CEDIT replacement revenues) for all library districts would fluctuate annually depending upon the amount of CEDIT replacement revenue available, and on the amount in the Library Property Tax Fund.

CEDIT LIBRARY PROPERTY TAX REPLACEMENT REVENUE STREAM

Currently, a county council can impose a CEDIT rate after January 1st but before April 1st of a year. This bill would allow the Council to impose a CEDIT rate after January 1st but before June 15th of a year.

If the Council imposes a maximum CEDIT rate of 0.15% on June 1, 1999, public library districts in Hancock County could receive up to six months of revenue in May of 2000. The six month distribution would be approximately \$763,384.

CEDIT/CAGIT COMBINED RATE

Under current law, a county is allowed to impose CEDIT at a maximum tax rate of 0.5% on the adjusted gross income of county taxpayers. Counties that impose the County Adjusted Gross Income Tax (CAGIT) are allowed to impose a combined CAGIT and CEDIT rate up to 1.25%.

Currently, Hancock County does not impose CEDIT but imposes the maximum CAGIT rate of 1%. If Hancock County chooses to adopt the maximum CEDIT rate of 0.15% for library property tax replacement, it would still be able to adopt an additional 0.1% CEDIT rate and remain under the cap (the additional revenue generated by the 0.1% rate could be used for CEDIT purposes in accordance with current law).

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: Hancock County.

Information Sources: Melissa Henson, State Board of Tax Commissioners, (317) 232-3785; State Budget Agency.