



February 22, 2000

**ENGROSSED  
HOUSE BILL No. 1006**

DIGEST OF HB 1006 (Updated February 17, 2000 3:01 PM - DI 44)

**Citations Affected:** IC 4-30; IC 4-33; IC 6-1.1; IC 6-3.5.

**Synopsis:** State and local finance. Limits increases in state expenditures to an amount based on the increase in inflation and population. Allows the general assembly to authorize additional spending through adoption of a concurrent resolution. Establishes the excess tax fund to receive certain state revenues that exceed the spending limit and provides that the fund is to be used to provide property tax relief programs enacted by the general assembly. Provides that the homestead credit percentage will remain at 10%. (Under current law, the credit percentage is scheduled to decrease from 10% to 4% in 2002.)

**Effective:** Upon passage; July 1, 2000; January 1, 2004.

**Bauer, Kuzman, Dobis**

(SENATE SPONSORS — BORST, SIMPSON, MILLS)

November 23, 1999, read first time and referred to Committee on Ways and Means.  
January 18, 2000, minority report rejected; majority report amended, reported — Do Pass.  
January 20, 2000, read second time, ordered engrossed.  
January 21, 2000, engrossed.  
January 24, 2000, read third time, passed. Yeas 83, nays 16.

**SENATE ACTION**

January 27, 2000, read first time and referred to Committee on Finance.  
February 21, 2000, amended, reported favorably — Do Pass.

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EH 1006—LS 6530/DI 73+



February 22, 2000

Second Regular Session 111th General Assembly (2000)

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 1999 General Assembly.

## ENGROSSED HOUSE BILL No. 1006

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

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

1 SECTION 1. IC 4-10-20 IS ADDED TO THE INDIANA CODE AS  
2 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON  
3 PASSAGE]:

4 **Chapter 20. State Fiscal Year Spending Limit**

5 **Sec. 1. (a) This chapter does not apply to the extent that**  
6 **payments for pensions, including accrued unfunded liability, and**  
7 **final court judgments on which the state is obligated to pay exceed**  
8 **the spending limits imposed by this chapter.**

9 **(b) This chapter does not apply to the extent that money**  
10 **expended from a reserve fund exceeds the spending limits imposed**  
11 **by this chapter if the initial transfer of the money into the reserve**  
12 **fund was included in the fiscal year spending of a previous state**  
13 **fiscal year.**

14 **Sec. 2. As used in this chapter, "CPI" refers to the United States**  
15 **Bureau of Labor Statistics Consumer Price Index for All Urban**  
16 **Consumers for the U.S. City Average for All Items, or its successor**  
17 **index.**

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1           **Sec. 3.** As used in this chapter, "fiscal year spending" means all  
 2 state governmental expenditures and reserve increases in a state  
 3 fiscal year, except expenditures from the following:

- 4           (1) Money deposited into the excess tax fund established under  
 5 section 10 of this chapter.  
 6           (2) Money received as gifts.  
 7           (3) Federal funds.  
 8           (4) Money collected for another government.  
 9           (5) Pension contributions by employees and pension fund  
 10 earnings.  
 11           (6) Money received from damage awards.  
 12           (7) Money received from property sales.  
 13           (8) Money received from settlement awards.  
 14           (9) State dedicated funds.

15           **Sec. 4.** As used in this chapter, "inflation" means, with respect  
 16 to any fiscal year, the lesser of:

- 17           (1) the percentage change between:  
 18           (A) the quotient of:  
 19           (i) the sum of the CPI for the twelve (12) months ending  
 20 in April of the calendar year before the adoption of the  
 21 state biennial budget; divided by  
 22           (ii) twelve (12); and  
 23           (B) the quotient of:  
 24           (i) the sum of the CPI for the twelve (12) months ending  
 25 in April of the calendar year before the calendar year  
 26 described in clause (A); divided by  
 27           (ii) twelve (12); or  
 28           (2) six percent (6%).

29           **Sec. 5.** As used in this chapter, "maximum annual percentage  
 30 change in fiscal year spending" means the sum of the following:

- 31           (1) Inflation with respect to the fiscal year in question, as  
 32 calculated under section 4 of this chapter.  
 33           (2) The annual percentage rate of change in population.  
 34           (3) One percent (1%).

35           **Sec. 6.** As used in this chapter, "population" means:

- 36           (1) the number of residents of the state as estimated by the  
 37 United States Bureau of the Census each year; or  
 38           (2) the number of residents of the state as counted by the  
 39 United States Bureau of the Census in a decennial census.

40           **Sec. 7.** As used in this chapter, "state fiscal year" means the  
 41 twelve (12) month period beginning July 1 in a calendar year.

42           **Sec. 8.** Before July 1 of calendar year 2000 and each

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1 even-numbered year thereafter, the department of state revenue  
2 shall:

3 (1) certify to the governor and the legislative council:

4 (A) the inflation amount calculated under section 4 of this  
5 chapter; and

6 (B) the annual percentage rate of change in population as  
7 reported in the most recent population estimate report of  
8 the United States Bureau of Census; and

9 (2) release the information certified under subdivision (1) to  
10 the general public.

11 **Sec. 9. (a) This subsection applies to a state fiscal year beginning**  
12 **July 1 of calendar year 2001 and each odd-numbered year**  
13 **thereafter. The state may not increase fiscal year spending more**  
14 **than the maximum annual percentage change in fiscal year**  
15 **spending applicable to that state fiscal year.**

16 (b) This subsection applies to a state fiscal year beginning July  
17 1 of calendar year 2002 and each even-numbered year thereafter.  
18 State fiscal year spending may not exceed the amount determined  
19 under the following STEPS:

20 **STEP ONE: Determine the amount of state fiscal year**  
21 **spending permitted under subsection (a).**

22 **STEP TWO: Multiply the STEP ONE amount by the**  
23 **maximum annual percentage change in fiscal year spending**  
24 **applicable to the previous state fiscal year.**

25 **STEP THREE: Add the amount resulting from STEP TWO**  
26 **to the STEP ONE amount.**

27 (c) If the general assembly considers it necessary to spend  
28 beyond the spending limit imposed by this chapter, the general  
29 assembly may do so by adopting a concurrent resolution approved  
30 by a majority of both houses of the general assembly. The  
31 resolution must state:

32 (1) that the general assembly desires to budget and spend  
33 more funds than permitted by IC 4-10-20; and

34 (2) the reasons necessitating the excess spending.

35 Upon passage of such a resolution, a cause of action may not be  
36 initiated under section 12 of this chapter if the excess spending  
37 results from passage of the resolution and the reasons for the  
38 excess spending stated in the resolution.

39 **Sec. 10. If revenue from sources not excluded from fiscal year**  
40 **spending exceeds the spending limit imposed under this chapter for**  
41 **that state fiscal year, the excess must be deposited into the excess**  
42 **tax fund established under section 11 of this chapter to be used for**



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1 **property tax relief programs enacted by the general assembly.**

2 **Sec. 11. (a) The excess tax fund is established for the purpose of**  
 3 **providing property tax relief under programs enacted by the**  
 4 **general assembly. The fund shall be administered by the treasurer**  
 5 **of state.**

6 **(b) The expenses of administering the fund shall be paid from**  
 7 **money in the fund.**

8 **(c) The treasurer of state shall invest money in the fund not**  
 9 **currently needed to meet the obligations of the fund in the same**  
 10 **manner as other public money may be invested. Interest that**  
 11 **accrues from these investments shall be deposited in the fund.**

12 **(d) Money in the fund at the end of a state fiscal year does not**  
 13 **revert to the state general fund.**

14 **Sec. 12. This chapter may be enforced in a private individual or**  
 15 **class action suit. Successful plaintiffs are allowed costs and**  
 16 **reasonable attorney's fees. The state may recover costs and**  
 17 **reasonable attorney's fees under this chapter only if a suit against**  
 18 **it is ruled frivolous. Revenue collected illegally, kept illegally, or**  
 19 **spent illegally for the four (4) state fiscal years preceding the date**  
 20 **that the suit is filed shall be deposited in the excess tax fund**  
 21 **commencing for each state fiscal year on the date the state exceeds**  
 22 **the spending limitation imposed for that state fiscal year under this**  
 23 **chapter.**

24 **SECTION 2. IC 6-1.1-20.9-2 IS AMENDED TO READ AS**  
 25 **FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) Except as**  
 26 **otherwise provided in section 5 of this chapter, an individual who on**  
 27 **March 1 of a particular year either owns or is buying a homestead**  
 28 **under a contract that provides the individual is to pay the property taxes**  
 29 **on the homestead is entitled each calendar year to a credit against the**  
 30 **property taxes which the individual pays on the individual's homestead.**  
 31 **However, only one (1) individual may receive a credit under this**  
 32 **chapter for a particular homestead in a particular year.**

33 **(b) The amount of the credit to which the individual is entitled**  
 34 **equals the product of:**

35 **(1) the percentage prescribed in subsection (d); multiplied by**

36 **(2) the amount of the individual's property tax liability, as that**  
 37 **term is defined in IC 6-1.1-21-5, which is attributable to the**  
 38 **homestead during the particular calendar year.**

39 **(c) For purposes of determining that part of an individual's property**  
 40 **tax liability that is attributable to the individual's homestead, all**  
 41 **deductions from assessed valuation which the individual claims under**  
 42 **IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's**

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1 homestead is located must be applied first against the assessed value  
 2 of the individual's homestead before those deductions are applied  
 3 against any other property.

4 (d) The percentage of the credit referred to in subsection (b)(1) is as  
 5 follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2001 and thereafter	10%
2002 and thereafter	4%

12 However, the property tax replacement fund board established under  
 13 IC 6-1.1-21-10, in its sole discretion, may increase the percentage of  
 14 the credit provided in the schedule for any year, if the board feels that  
 15 the property tax replacement fund contains enough money for the  
 16 resulting increased distribution. If the board increases the percentage  
 17 of the credit provided in the schedule for any year, the percentage of  
 18 the credit for the immediately following year is the percentage provided  
 19 in the schedule for that particular year, unless as provided in this  
 20 subsection the board in its discretion increases the percentage of the  
 21 credit provided in the schedule for that particular year. However, the  
 22 percentage credit allowed in a particular county for a particular year  
 23 shall be increased if on January 1 of a year an ordinance adopted by a  
 24 county income tax council was in effect in the county which increased  
 25 the homestead credit. The amount of the increase equals the amount  
 26 designated in the ordinance.

27 (e) Before October 1 of each year, the assessor shall furnish to the  
 28 county auditor the amount of the assessed valuation of each homestead  
 29 for which a homestead credit has been properly filed under this chapter.

30 (f) The county auditor shall apply the credit equally to each  
 31 installment of taxes that the individual pays for the property.

32 (g) Notwithstanding the provisions of this chapter, a taxpayer other  
 33 than an individual is entitled to the credit provided by this chapter if:

- 34 (1) an individual uses the residence as the individual's principal  
35 place of residence;
- 36 (2) the residence is located in Indiana;
- 37 (3) the individual has a beneficial interest in the taxpayer;
- 38 (4) the taxpayer either owns the residence or is buying it under a  
39 contract, recorded in the county recorder's office, that provides  
40 that the individual is to pay the property taxes on the residence;
- 41 and
- 42 (5) the residence consists of a single-family dwelling and the real



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1 estate, not exceeding one (1) acre, that immediately surrounds  
2 that dwelling.  
3 **SECTION 3. An emergency is declared for this act.**

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## COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1006, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, between lines 34 and 35, begin a new paragraph and insert:

"SECTION 2. IC 4-33-12-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) The department shall place in the state general fund the tax revenue collected under this chapter.

(b) Except as provided by subsection (c), the treasurer of state shall quarterly pay the following amounts:

(1) One dollar (\$1) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to:

(A) the city in which the riverboat is docked, if the city:

(i) is described in IC 4-33-6-1(a)(1) through IC 4-33-6-1(a)(4) or in IC 4-33-6-1(b); or

(ii) is contiguous to the Ohio River and is the largest city in the county; and

(B) the county in which the riverboat is docked, if the riverboat is not docked in a city described in clause (A).

(2) One dollar (\$1) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the county in which the riverboat is docked. In the case of a county described in subdivision (1)(B), this one dollar (\$1) is in addition to the one dollar (\$1) received under subdivision (1)(B).

(3) Ten cents (\$0.10) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the county convention and visitors bureau or promotion fund for the county in which the riverboat is docked.

(4) Fifteen cents (\$0.15) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during a quarter shall be paid to the state fair commission, for use in any activity that the commission is authorized to carry out under IC 15-1.5-3.

(5) Ten cents (\$0.10) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the division of mental health. The division shall allocate at least twenty-five percent (25%) of the

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funds derived from the admissions tax to the prevention and treatment of compulsive gambling.

(6) Sixty-five cents (\$0.65) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the Indiana horse racing commission to be distributed as follows, in amounts determined by the Indiana horse racing commission, for the promotion and operation of horse racing in Indiana:

(A) To one (1) or more breed development funds established by the Indiana horse racing commission under IC 4-31-11-10.

(B) To a racetrack that was approved by the Indiana horse racing commission under IC 4-31. The commission may make a grant under this clause only for purses, promotions, and routine operations of the racetrack. No grants shall be made for long term capital investment or construction and no grants shall be made before the racetrack becomes operational and is offering a racing schedule.

(c) With respect to tax revenue collected from a riverboat that operates on Patoka Lake, the treasurer of state shall quarterly pay the following amounts:

(1) The counties described in IC 4-33-1-1(3) shall receive one dollar (\$1) of the admissions tax collected for each person embarking on the riverboat during the quarter. This amount shall be divided equally among the counties described in IC 4-33-1-1(3).

(2) The Patoka Lake development account established under IC 4-33-15 shall receive one dollar (\$1) of the admissions tax collected for each person embarking on the riverboat during the quarter.

(3) The resource conservation and development program that:

(A) is established under 16 U.S.C. 3451 et seq.; and

(B) serves the Patoka Lake area;

shall receive forty cents (\$0.40) of the admissions tax collected for each person embarking on the riverboat during the quarter.

(4) The state general fund shall receive fifty cents (\$0.50) of the admissions tax collected for each person embarking on the riverboat during the quarter.

(5) The division of mental health shall receive ten cents (\$0.10) of the admissions tax collected for each person embarking on the riverboat during the quarter. The division shall allocate at least twenty-five percent (25%) of the funds derived from the admissions tax to the prevention and treatment of compulsive

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gambling.

(d) Money paid to a unit of local government under subsection (b)(1) through (b)(2) or subsection (c)(1):

(1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both;

(2) may not be used to reduce the unit's **calculated** maximum ~~or actual~~ levy under IC 6-1.1-18.5 **but may be used at the discretion of the unit to reduce the property tax levy of the unit for a particular year without it being considered additional revenue in subsequent years;** and

(3) may be used for any legal or corporate purpose of the unit, including the pledge of money to bonds, leases, or other obligations under IC 5-1-14-4.

(e) Money paid by the treasurer of state under subsection (b)(3) shall be:

(1) deposited in:

(A) the county convention and visitor promotion fund; or

(B) the county's general fund if the county does not have a convention and visitor promotion fund; and

(2) used only for the tourism promotion, advertising, and economic development activities of the county and community.

(f) Money received by the division of mental health under subsections (b)(5) and (c)(5):

(1) is annually appropriated to the division of mental health;

(2) shall be distributed to the division of mental health at times during each state fiscal year determined by the budget agency; and

(3) shall be used by the division of mental health for programs and facilities for the prevention and treatment of addictions to drugs, alcohol, and compulsive gambling, including the creation and maintenance of a toll free telephone line to provide the public with information about these addictions. The division shall allocate at least twenty-five percent (25%) of the money received to the prevention and treatment of compulsive gambling.

SECTION 3. IC 4-33-13-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) Money paid to a unit of local government under this chapter:

(1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both;

(2) may not be used to reduce the unit's **calculated** maximum ~~or~~

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~~actual~~ levy under IC 6-1.1-18.5 **but may be used at the discretion of the unit to reduce the property tax levy of the unit for a particular year without it being considered additional revenue in subsequent years; and**

(3) may be used for any legal or corporate purpose of the unit, including the pledge of money to bonds, leases, or other obligations under IC 5-1-14-4.

(b) This chapter does not prohibit the city or county designated as the home dock of the riverboat from entering into agreements with other units of local government in Indiana or in other states to share the city's or county's part of the tax revenue received under this chapter."

Page 3, between lines 36 and 37, begin a new paragraph and insert:

"SECTION 5. IC 6-1.1-18.5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) For purposes of determining a civil taxing unit's maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and ~~five-hundredths (1.05)~~ **four-hundredths (1.04)**.

STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and ~~one-tenth (1.1)~~ **eight-hundredths (1.08)**.

(b) If the assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's real property, then for purposes of determining that civil taxing unit's assessed value growth quotient

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for an ensuing calendar year, the state board of tax commissioners shall replace the quotient described in STEP TWO of subsection (a) for that particular calendar year. The state board of tax commissioners shall replace that quotient with one that as accurately as possible will reflect the actual growth in the civil taxing unit's assessed values of real property from the immediately preceding calendar year to that particular calendar year.

SECTION 6. IC 6-1.1-18.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) Except as otherwise provided in this chapter, a civil taxing unit that is treated as not being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, that was used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of subsection (b) for that preceding calendar year.  
STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in the last STEP of section 2 of this chapter.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient (rounded to the nearest ten-thousandth), of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year, divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

(b) Except as otherwise provided in this chapter **and IC 6-3.5-1.1-11.5**, a civil taxing unit that is treated as being located in an adopting county under section 4 of this chapter may not impose an

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ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of this subsection for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in the last STEP of section 2 of this chapter.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

STEP EIGHT: Subtract the amount determined under STEP FIVE of subsection (e) from the amount determined under STEP SEVEN of this subsection. **For a county that has adopted an ordinance under IC 6-3.5-1.1-11.5, subtract the amount specified as base year certified shares by the civil taxing unit under IC 6-3.5-1.1-11.5(c).**

(c) If a civil taxing unit in the immediately preceding calendar year provided an area outside its boundaries with services on a contractual basis and in the ensuing calendar year that area has been annexed by the civil taxing unit, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals the amount paid by the annexed area during the immediately preceding calendar year for services that the civil taxing unit must provide to that area during the ensuing calendar year as a result of the annexation. In all other cases, the amount to be entered under STEP

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SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals zero (0).

**(d) This subsection does not apply to a civil taxing unit located in a county that has adopted an ordinance under IC 6-3.5-1.1-11.5.**

This subsection applies only to civil taxing units located in a county having a county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) of one percent (1%) as of January 1 of the ensuing calendar year. For each civil taxing unit, the amount to be added to the amount determined in subsection (e), STEP FOUR, is determined using the following formula:

STEP ONE: Multiply the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year by two percent (2%).

STEP TWO: For the determination year, the amount to be used as the STEP TWO amount is the amount determined in subsection (f) for the civil taxing unit. For each year following the determination year the STEP TWO amount is the lesser of:

- (A) the amount determined in STEP ONE; or
- (B) the amount determined in subsection (f) for the civil taxing unit.

STEP THREE: Determine the greater of:

- (A) zero (0); or
- (B) the civil taxing unit's certified share for the ensuing calendar year minus the greater of:
  - (i) the civil taxing unit's certified share for the calendar year that immediately precedes the ensuing calendar year; or
  - (ii) the civil taxing unit's base year certified share.

STEP FOUR: Determine the greater of:

- (A) zero (0); or
- (B) the amount determined in STEP TWO minus the amount determined in STEP THREE.

Add the amount determined in STEP FOUR to the amount determined in subsection (e), STEP THREE, as provided in subsection (e), STEP FOUR.

**(e) This subsection does not apply to a civil taxing unit located in a county that has adopted an ordinance under IC 6-3.5-1.1-11.5.**

For each civil taxing unit, the amount to be subtracted under subsection (b), STEP EIGHT, is determined using the following formula:

STEP ONE: Determine the lesser of the civil taxing unit's base year certified share for the ensuing calendar year, as determined under section 5 of this chapter, or the civil taxing unit's certified share for the ensuing calendar year.

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STEP TWO: Determine the greater of:

- (A) zero (0); or
- (B) the remainder of:
  - (i) the amount of federal revenue sharing money that was received by the civil taxing unit in 1985; minus
  - (ii) the amount of federal revenue sharing money that will be received by the civil taxing unit in the year preceding the ensuing calendar year.

STEP THREE: Determine the lesser of:

- (A) the amount determined in STEP TWO; or
- (B) the amount determined in subsection (f) for the civil taxing unit.

STEP FOUR: Add the amount determined in subsection (d), STEP FOUR, to the amount determined in STEP THREE.

STEP FIVE: Subtract the amount determined in STEP FOUR from the amount determined in STEP ONE.

**(f) This subsection does not apply to a civil taxing unit located in a county that has adopted an ordinance under IC 6-3.5-1.1-11.5.**

As used in this section, a taxing unit's "determination year" means the latest of:

- (1) calendar year 1987, if the taxing unit is treated as being located in an adopting county for calendar year 1987 under section 4 of this chapter;
- (2) the taxing unit's base year, as defined in section 5 of this chapter, if the taxing unit is treated as not being located in an adopting county for calendar year 1987 under section 4 of this chapter; or
- (3) the ensuing calendar year following the first year that the taxing unit is located in a county that has a county adjusted gross income tax rate of more than one-half percent (0.5%) on July 1 of that year.

The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%



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Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year . . . . .	0
COUNTIES WITH A TAX RATE OF 3/4%	

Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year . . . . .	1/2
COUNTIES WITH A TAX RATE OF 1.0%	

Year	Subsection (d) Factor	Subsection (e) Factor
For the determination year . . . . .	1/6	1/3
For the ensuing calendar year following the determination year . . . . .	1/4	1/3
For the ensuing calendar year following the determination year by two (2) years . . . . .	1/3	1/3

SECTION 7. IC 6-1.1-18.5-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) As used in this section, "base year" for a civil taxing unit means the most recent calendar year:

- (1) in which the civil taxing unit is located in an adopting county, as determined under section 4 of this chapter; and
- (2) that is immediately preceded by a calendar year in which the civil taxing unit either:
  - (A) was not located in an adopting county, as determined under section 4 of this chapter; or
  - (B) did not impose an ad valorem property tax levy.

If the civil taxing unit was located in an adopting county in calendar year 1979, as determined under section 4 of this chapter, the civil taxing unit's base year is calendar year 1979 or the year determined above, whichever is later.

(b) If the county adjusted gross income tax was not in effect on January 1 of the calendar year immediately preceding the ensuing calendar year in the county in which a particular civil taxing unit is located, then the civil taxing unit's base year certified share is the amount of certified shares to be received by the civil taxing unit during its base year.



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(c) If the county adjusted gross income tax was in effect on January 1 of the calendar year immediately preceding the ensuing calendar year in the county in which a particular civil taxing unit is located, then the civil taxing unit's base year certified share is the amount of certified shares received by the civil taxing unit in its base year, multiplied by a fraction:

(1) The numerator of the fraction equals the remainder of the county adjusted gross income tax rate of the county in which the civil taxing unit is located and that is imposed on January 1 of the ensuing calendar year minus one quarter of one percent (1/4%).

(2) The denominator of the fraction equals the remainder of the county adjusted gross income tax rate of the county in which the civil taxing unit is located and that is imposed on January 1 of the civil taxing unit's base year minus one quarter of one percent (1/4%).

**(d) For a civil taxing unit located in a county that has adopted an ordinance under IC 6-3.5-1.1-11.5, base year certified shares shall be the amount specified by the civil taxing unit in the ordinance adopted under IC 6-3.5-1.1-11.5."**

Page 8, between lines 5 and 6, begin a new paragraph and insert:

"SECTION 12. IC 6-3.5-1.1-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. (a) Except for revenue that:

- (1) must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter or revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or  
**(2) has been dedicated to property tax relief by the county under section 11.5 of this chapter;**

the certified distribution received by a county treasurer shall, in the manner prescribed in this section, be allocated, distributed, and used by the civil taxing units and school corporations of the county as certified shares and property tax replacement credits.

(b) Before August 2 of each calendar year, each county auditor shall determine the part of the certified distribution for the next succeeding calendar year that will be allocated as property tax replacement credits and the part that will be allocated as certified shares. The percentage of a certified distribution that will be allocated as property tax replacement credits or as certified shares depends upon the county adjusted gross income tax rate for resident county taxpayers in effect on August 1 of the calendar year that precedes the year in



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which the certified distribution will be received. The percentages are set forth in the following table:

COUNTY	PROPERTY TAX	CERTIFIED SHARES
ADJUSTED GROSS INCOME TAX RATE	REPLACEMENT CREDITS	
0.5%	50%	50%
0.75%	33 1/3%	66 2/3%
1%	25%	75%

(c) The part of a certified distribution that constitutes property tax replacement credits shall be distributed as provided under sections 12, 13, and 14 of this chapter.

(d) The part of a certified distribution that constitutes certified shares shall be distributed as provided by section 15 of this chapter.

**SECTION 13. IC 6-3.5-1.1-11.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11.5. (a) The county council may adopt an ordinance to use revenue under this chapter for property tax relief. All or a portion of the certified distribution to a county under this chapter minus the amount needed to provide property tax replacement credits for school corporations may be used for property tax relief under this section. The amount of property tax replacement credits that shall be allocated and distributed to a school corporation within the county is the same property tax replacement credit amount the school corporation would have been allocated if the county had not adopted an ordinance under this section.**

**(b) The types of relief that may be provided are limited to the following:**

- (1) Providing property tax replacement credits to be distributed as provided in section 11.6 of this chapter.**
- (2) Increasing the percentage credit allowed for homesteads in the county under IC6-1.1-20.9-2, as provided in section 11.7 of this chapter.**
- (3) Providing a property tax reduction for low income individuals under section 11.8 of this chapter.**
- (4) A combination of the types of relief listed in subdivisions (1) through (3).**

**(c) The ordinance must specify the percentage of the total certified distribution that will be used for each type of relief. The remaining certified distribution shall be considered certified shares for each civil taxing unit. Before a civil taxing unit may receive the**



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certified shares, it must adopt an ordinance specifying the amount that will be treated as base year certified shares under IC 6-1.1-18.5-5.

(d) An ordinance may be adopted under this section after January 1 but before June 1 of a calendar year. The ordinance remains in effect for the period specified in the ordinance or until it is rescinded.

(e) An ordinance adopted under this section takes effect on January 1 of the next succeeding calendar year.

(f) Any ordinance adopted under this section for a county is repealed for a year if on January 1 of that year the county adjusted gross income tax is not in effect.

SECTION 14. IC 6-3.5-1.1-11.6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 11.6.** (a) If an ordinance adopted under section 11.5 of this chapter includes property tax replacement credits, these credits shall be allocated and distributed to civil taxing units by taking the amount dedicated to these credits multiplied by a fraction:

- (1) the numerator of which equals the sum of the total property taxes being collected by the civil taxing unit during that calendar year; and
- (2) the denominator of which equals the sum of the total property taxes being collected by all civil taxing units.

(b) The state board of tax commissioners shall reduce the net property tax levy of each civil taxing unit by the amount of the allocation.

SECTION 15. IC 6-3.5-1.1-11.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 11.7.** If an ordinance adopted under section 11.5 of this chapter includes homestead credits, the increase of the homestead credit percentage must be uniform for all homesteads in a county. In the ordinance that increases the homestead credit percentage, a county council may provide for a series of increases or decreases to take place for each of a group of succeeding calendar years.

SECTION 16. IC 6-3.5-1.1-11.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 11.8.** (a) If an ordinance adopted under section 11.5 of this chapter includes a property tax reduction for low income individuals, the following apply:

- (1) The state homestead credit must apply to the homestead.



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**(2) The combined adjusted gross income (as defined in Section 62 of the Internal Revenue Code) of:**

- (A) the individual and the individual's spouse; or**
- (B) the individual and all other individuals with whom:**
  - (i) the individual shares ownership; or**
  - (ii) the individual is purchasing the property under a contract;**

**as joint tenants or tenants in common; for the calendar year preceding the year in which the credit is claimed did not exceed twenty-five thousand dollars (\$25,000).**

**(b) The ordinance must set forth the reduction amount, which may be in terms of a percentage of property taxes due, a percentage of combined adjusted gross income, or a fixed amount. However, the maximum property tax reduction under this section may not result in the property taxes due on a homestead for a year to be less than two percent (2%) of the combined adjusted gross income referred to in subsection (a).**

**(c) An individual must claim the reduction in the same manner as the state homestead credit. An individual who receives a reduction in a particular year and who becomes ineligible in the following year shall notify the auditor of the county in which the homestead is located of the ineligibility before May 10 of the year in which the individual becomes ineligible.**

**(d) The auditor of each county shall, in a particular year, apply the reduction to each individual who received the reduction in the preceding year unless the auditor determines that the individual is no longer eligible for the reduction.**

SECTION 17. IC 6-3.5-1.1-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 12. (a) **Except as provided in section 11.5 of this chapter,** the part of a county's certified distribution for a calendar year that is to be used as property tax replacement credits shall be allocated by the county auditor among the civil taxing units and school corporations of the county.

(b) Except as provided in section 13 of this chapter, the amount of property tax replacement credits that each civil taxing unit and school corporation in a county is entitled to receive during a calendar year equals the product of:

- (1) that part of the county's certified distribution that is dedicated to providing property tax replacement credits for that same calendar year; multiplied by
- (2) a fraction:

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(A) The numerator of the fraction equals the sum of the total property taxes being collected by the civil taxing unit or school corporation during that calendar year, plus with respect to a civil taxing unit, the amount of federal revenue sharing funds, and certified shares received by it during that calendar year to the extent that they are used to reduce its property tax levy below the limit imposed by IC 6-1.1-18.5 for that same calendar year.

(B) The denominator of the fraction equals the sum of the total property taxes being collected by all civil taxing units and school corporations, plus the amount of federal revenue sharing funds and certified shares received by all civil taxing units in the county to the extent that they are used to reduce the civil taxing units' property tax levies below the limits imposed by IC 6-1.1-18.5 for that same calendar year.

(c) The state board of tax commissioners shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit and school corporation in the auditor's county is entitled to receive. The county auditor shall then certify to each civil taxing unit and school corporation the amount of property tax replacement credits it is entitled to receive (after adjustment made under section 13 of this chapter) during that calendar year. The county auditor shall also certify these distributions to the county treasurer.

SECTION 18. IC 6-3.5-1.1-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 14. (a) **This section applies to property tax replacement credits provided in section 11.5 of this chapter.** In determining the amount of property tax replacement credits civil taxing units and school corporations of a county are entitled to receive during a calendar year, the state board of tax commissioners shall consider only property taxes imposed on tangible property that was assessed in that county.

(b) If a civil taxing unit or a school corporation is located in more than one (1) county and receives property tax replacement credits from one (1) or more of the counties, then the property tax replacement credits received from each county shall be used only to reduce the property tax rates that are imposed within the county that distributed the property tax replacement credits.

(c) A civil taxing unit shall treat any property tax replacement credits that it receives or is to receive during a particular calendar year as a part of its property tax levy for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.



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(d) A school corporation shall treat any property tax replacement credits that the school corporation receives or is to receive during a particular calendar year as a part of its property tax levy for its general fund, debt service fund, capital projects fund, transportation fund, and special education preschool fund in proportion to the levy for each of these funds for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-19. A school corporation shall allocate the property tax replacement credits described in this subsection to all five (5) funds in proportion to the levy for each fund."

Page 9, line 8, strike "property tax relief or".

Page 9, line 10, after "levy." insert "**The amount of revenue used for property tax relief under section 11.5 of this chapter shall not be treated as additional revenue.**".

Page 9, between lines 10 and 11, begin a new paragraph and insert:

"SECTION 20. IC 6-3.5-6-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 13. (a) A county income tax council of a county in which the county option income tax is in effect may adopt an ordinance to ~~increase~~ **use all or a portion of the certified distribution under this chapter for property tax relief.**

**(b) The types of relief that may be provided are limited to the following:**

**(1) Providing property tax replacement credits to be distributed as provided in section 13.1 of this chapter.**

**(2) Increasing the percentage credit allowed for homesteads in its county under IC 6-1.1-20.9-2, as provided in section 13.2 of this chapter.**

~~(b) A county income tax council may not increase the percentage credit allowed for homesteads by an amount that exceeds eight percent (8%):~~

~~(c) The increase of the homestead credit percentage must be uniform for all homesteads in a county:~~

~~(d) In the ordinance that increases the homestead credit percentage, a county income tax council may provide for a series of increases or decreases to take place for each of a group of succeeding calendar years:~~

**(3) Providing a property tax reduction for low income individuals under section 13.3 of this chapter.**

**(4) A combination of the types of relief listed in subdivisions (1) through (3).**

**(c) The ordinance must specify the percentage of the total certified distribution that will be used for each type of relief. The**



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remaining certified distribution shall be treated as it would notwithstanding this section.

(d) An ordinance may be adopted under this section after January 1 but before June 1 of a calendar year. **The ordinance remains in effect for the period specified in the ordinance or until it is rescinded.**

(e) An ordinance adopted under this section takes effect on January 1 of the next succeeding calendar year.

(f) Any ordinance adopted under this section for a county is repealed for a year if on January 1 of that year the county option income tax is not in effect.

SECTION 21. IC 6-3.5-6-13.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 13.1. (a) If an ordinance adopted under section 13 of this chapter includes property tax replacement credits, these credits shall be allocated and distributed to civil taxing units by taking the amount dedicated to these credits multiplied by a fraction:**

- (1) the numerator of which equals the sum of the total property taxes being collected by the civil taxing unit during that calendar year; and
- (2) the denominator of which equals the sum of the total property taxes being collected by all civil taxing units.

(b) The state board of tax commissioners shall reduce the net property tax levy of each civil taxing unit by the amount of the allocation.

SECTION 22. IC 6-3.5-6-13.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 13.2. If an ordinance adopted under section 13 of this chapter includes homestead credits, the increase of the homestead credit percentage must be uniform for all homesteads in a county. In the ordinance that increases the homestead credit percentage, a county council may provide for a series of increases or decreases to take place for each of a group of succeeding calendar years.**

SECTION 23. IC 6-3.5-6-13.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 13.3. (a) If an ordinance adopted under section 13 of this chapter includes a property tax reduction for low income individuals, the following apply:**

- (1) The state homestead credit must apply to the homestead.
- (2) The combined adjusted gross income (as defined in Section



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62 of the Internal Revenue Code) of:

- (A) the individual and the individual's spouse; or
- (B) the individual and all other individuals with whom:
  - (i) the individual shares ownership; or
  - (ii) the individual is purchasing the property under a contract;

as joint tenants or tenants in common;  
for the calendar year preceding the year in which the reduction is claimed did not exceed twenty-five thousand dollars (\$25,000).

(b) The ordinance must set forth the reduction amount, which may be in terms of a percentage of property taxes due or a percentage of combined adjusted gross income. However, the maximum property tax reduction under this section may not result in the property taxes due on a homestead for a year to be less than two percent (2%) of the combined adjusted gross income referred to in subsection (a).

(c) An individual must claim the reduction in the same manner as the state homestead credit. An individual who receives a reduction in a particular year and who becomes ineligible in the following year shall notify the auditor of the county in which the homestead is located of the ineligibility before May 10 of the year in which the individual becomes ineligible.

(d) The auditor of each county shall, in a particular year, apply the reduction to each individual who received the reduction in the preceding year unless the auditor determines that the individual is no longer eligible for the reduction."

Page 10, line 13, strike "the allowance of an increased homestead credit" and insert "**providing property tax relief**".

Page 10, line 13, delete ";" and insert "**under section 13 of this chapter;**".

Page 10, line 26, strike "the increase of the homestead credit" and insert "**providing property tax relief**".

Page 10, line 26, delete "." and insert "**under section 13 of this chapter.**".

Page 10, line 30, strike " an increased homestead credit." and insert "**the property tax relief.**".

Page 14, between lines 29 and 30, begin a new paragraph and insert:  
"SECTION 27. IC 6-3.5-6-19, AS AMENDED BY P.L.273-1999, SECTION 73, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 19. (a) Except as provided in sections 13, 17.6(d), 18(e), and 18.5(b)(3) of this chapter, in determining the



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fractional share of distributive shares the civil taxing units of a county are entitled to receive under section 18 of this chapter during a calendar year, the state board of tax commissioners shall consider only property taxes imposed on tangible property subject to assessment in that county.

(b) In determining the amount of distributive shares a civil taxing unit is entitled to receive under section 18(g) of this chapter, the state board of tax commissioners shall consider only the percentage of the civil taxing unit's budget that equals the ratio that the total assessed valuation that lies within the civil taxing unit and the county that has adopted the county option tax bears to the total assessed valuation that lies within the civil taxing unit.

(c) The distributive shares to be allocated and distributed under this chapter shall be treated by each civil taxing unit as additional revenue for the purpose of fixing its budget for the budget year during which the distributive shares is to be distributed to the civil taxing unit.

(d) In the case of a civil taxing unit that includes a consolidated city its fiscal body may distribute any revenue it receives under this chapter to any governmental entity located in its county except an excluded city, a township, or a school corporation.

SECTION 28. IC 6-3.5-7-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Except as provided in subsection (c), the county economic development income tax may be imposed on the adjusted gross income of county taxpayers. The entity that may impose the tax is:

- (1) the county income tax council (as defined in IC 6-3.5-6-1) if the county option income tax is in effect on January 1 of the year the county economic development income tax is imposed;
- (2) the county council if the county adjusted gross income tax is in effect on January 1 of the year the county economic development tax is imposed; or
- (3) the county income tax council or the county council, whichever acts first, for a county not covered by subdivision (1) or (2).

To impose the county economic development income tax, a county income tax council shall use the procedures set forth in IC 6-3.5-6 concerning the imposition of the county option income tax.

(b) Except as provided in subsections (c) and (g), the county economic development income tax may be imposed at a rate of:

- (1) one-tenth percent (0.1%);
- (2) two-tenths percent (0.2%);
- (3) twenty-five hundredths percent (0.25%);



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- (4) three-tenths percent (0.3%);
- (5) thirty-five hundredths percent (0.35%);
- (6) four-tenths percent (0.4%);
- (7) forty-five hundredths percent (0.45%); or
- (8) five-tenths percent (0.5%);

on the adjusted gross income of county taxpayers.

(c) Except as provided in subsection (h) or (i), the county economic development income tax rate plus the county adjusted gross income tax rate, if any, that are in effect on January 1 of a year may not exceed one and twenty-five hundredths percent (1.25%). Except as provided in subsection (g) **and** (j), the county economic development tax rate plus the county option income tax rate, if any, that are in effect on January 1 of a year may not exceed one percent (1%).

(d) To impose the county economic development income tax, the appropriate body must, after January 1 but before April 1 of a year, adopt an ordinance. The ordinance must substantially state the following:

"The \_\_\_\_\_ County \_\_\_\_\_ imposes the county economic development income tax on the county taxpayers of \_\_\_\_\_ County. The county economic development income tax is imposed at a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the county taxpayers of the county. This tax takes effect July 1 of this year."

(e) Any ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

(g) This subsection applies to a county having a population of more than one hundred twenty-nine thousand (129,000) but less than one hundred thirty thousand six hundred (130,600). In addition to the rates permitted by subsection (b), the:

- (1) county economic development income tax may be imposed at a rate of:
  - (A) fifteen-hundredths percent (0.15%);
  - (B) two-tenths percent (0.2%); or
  - (C) twenty-five hundredths percent (0.25%); and

(2) county economic development income tax rate plus the county option income tax rate that are in effect on January 1 of a year may equal up to one and twenty-five hundredths percent (1.25%); if the county income tax council makes a determination to impose rates under this subsection and section 22 of this chapter.

(h) For a county having a population of more than thirty-seven



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thousand (37,000) but less than thirty-seven thousand eight hundred (37,800), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and thirty-five hundredths percent (1.35%) if the county has imposed the county adjusted gross income tax at a rate of one and one-tenth percent (1.1%) under IC 6-3.5-1.1-2.5.

(i) For a county having a population of more than twelve thousand six hundred (12,600) but less than thirteen thousand (13,000), the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one and fifty-five hundredths percent (1.55%).

**(j) For a county that has adopted an ordinance under IC 6-3.5-6-13, the county economic development income tax rate plus the county adjusted gross income tax rate that are in effect on January 1 of a year may not exceed one percent (1%) plus the lesser of:**

- (1) twenty-five hundredths percent (0.25%); or**
- (2) the portion of the rate that exceeds one percent (1%) and that is dedicated to property tax relief under the ordinance."**

Page 16, delete lines 20 through 42, begin a new paragraph and insert:

"SECTION 29. IC 6-5.5-8-2, AS AMENDED BY P.L.273-1999, SECTION 58, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2004]: Sec. 2. (a) On or before February 1, May 1, August 1, and December 1 of each year the auditor of state shall transfer to each county auditor for distribution to the taxing units (as defined in IC 6-1.1-1-21) in the county, an amount equal to one-fourth (1/4) of the sum of the guaranteed amounts for all the taxing units of the county. On or before August 1 of each year the auditor of state shall transfer to each county auditor the supplemental distribution for the county for the year. For purposes of determining distributions under subsection (b), the state board of tax commissioners shall determine a state welfare allocation for each county calculated as follows:

- (1) For 2000 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the amount determined under the following formula:

STEP ONE: For:

- (A) 1997, 1998, and 1999, determine the result of:
  - ~~(A)~~ (i) the amounts appropriated by the county in the year for the county's county welfare fund and county welfare administration fund; divided by
  - ~~(B)~~ (ii) the amounts appropriated by all the taxing units in



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the county in the year; **and**

**(B) 2001, 2002, and 2003, determine the result of:**

**(i) the amounts appropriated by the county in the year for the county's county family and children's fund; divided by**

**(ii) the amounts appropriated by all the taxing units in the county in the year.**

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be distributed to all the taxing units in the county under subsection (b) without regard to this subdivision.

STEP FIVE: Determine the result of:

(A) the STEP FOUR amount; multiplied by

(B) the STEP THREE result.

(2) The state welfare allocation shall be deducted from the distributions otherwise payable under subsection (b) to the taxing unit that is a county and shall be deposited in a special account within the state general fund.

(b) A taxing unit's guaranteed distribution for a year is the greater of zero (0) or an amount equal to:

(1) the amount received by the taxing unit under IC 6-5-10 and IC 6-5-11 in 1989; minus

(2) the amount to be received by the taxing unit in the year of the distribution, as determined by the state board of tax commissioners, from property taxes attributable to the personal property of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of the personal property is transferred to the lessee; minus

(3) in the case of a taxing unit that is a county, the amount that would have been received by the taxing unit in the year of the distribution, as determined by the state board of tax commissioners, from property taxes that:

(A) were calculated for the county's county welfare fund and county welfare administration fund for 2000 but were not imposed because of the repeal of IC 12-19-3 and IC 12-19-4; and

(B) would have been attributable to the personal property of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of

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the personal property is transferred to the lessee.

(c) The amount of the supplemental distribution for a county for a year shall be determined using the following formula:

STEP ONE: Determine the greater of zero (0) or the difference between:

(A) one-half (1/2) of the taxes that the department estimates will be paid under this article during the year; minus

(B) the sum of all the guaranteed distributions, before the subtraction of all state welfare allocations under subsection (a), for all taxing units in all counties plus the bank personal property taxes to be received by all taxing units in all counties, as determined under subsection (b)(2) for the year.

STEP TWO: Determine the quotient of:

(A) the amount received under IC 6-5-10 and IC 6-5-11 in 1989 by all taxing units in the county; divided by

(B) the sum of the amounts received under IC 6-5-10 and IC 6-5-11 in 1989 by all taxing units in all counties.

STEP THREE: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the amount determined in STEP TWO.

STEP FOUR: Determine the greater of zero (0) or the difference between:

(A) the amount of supplemental distribution determined in STEP THREE for the county; minus

(B) the amount of refunds granted under IC 6-5-10-7 that have yet to be reimbursed to the state by the county treasurer under IC 6-5-10-13.

For the supplemental distribution made on or before August 1 of each year, the department shall adjust the amount of each county's supplemental distribution to reflect the actual taxes paid under this article for the preceding year.

(d) Except as provided in subsection (f), the amount of the supplemental distribution for each taxing unit shall be determined using the following formula:

STEP ONE: Determine the quotient of:

(A) the amount received by the taxing unit under IC 6-5-10 and IC 6-5-11 in 1989; divided by

(B) the sum of the amounts used in STEP ONE (A) for all taxing units located in the county.

STEP TWO: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the supplemental distribution for the county, as determined



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in subsection (c), STEP FOUR.

(e) The county auditor shall distribute the guaranteed and supplemental distributions received under subsection (a) to the taxing units in the county at the same time that the county auditor makes the semiannual distribution of real property taxes to the taxing units.

(f) The amount of a supplemental distribution paid to a taxing unit that is a county shall be reduced by an amount equal to:

(1) the amount the county would receive under subsection (d) without regard to this subsection; minus

(2) an amount equal to:

(A) the amount under subdivision (1); multiplied by

(B) the result of the following:

⊕ (i) Determine the amounts appropriated by the county in 1997, 1998, and 1999, from the county's county welfare fund and county welfare administration fund **plus the amounts appropriated by the county in 2001, 2002, and 2003, from the county's county family and children's fund**, divided by the total amounts appropriated by all the taxing units in the county in the year.

(ii) Divide the amount determined in item ⊕ (i) by three (3).

SECTION 36. IC 6-6-5-10, AS AMENDED BY P.L.273-1999, SECTION 59, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2004]: Sec. 10. (a) The bureau shall establish procedures necessary for the collection of the tax imposed by this chapter and for the proper accounting for the same. The necessary forms and records shall be subject to approval by the state board of accounts.

(b) The county treasurer upon receiving the excise tax collections shall receipt such collections into a separate account for settlement thereof at the same time as property taxes are accounted for and settled in June and December of each year, with the right and duty of the treasurer and auditor to make advances prior to the time of final settlement of such property taxes in the same manner as provided in IC 5-13-6-3.

(c) The county auditor shall determine the total amount of excise taxes collected for each taxing unit in the county and the amount so collected (and the distributions received under section 9.5 of this chapter) shall be apportioned and distributed among the respective funds of each taxing unit in the same manner and at the same time as property taxes are apportioned and distributed. However, for purposes of determining distributions under this section for 2000 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the amount determined under STEP FIVE of the



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following STEPS:

STEP ONE: For:

(A) 1997, 1998, and 1999, determine the result of:

⊕ (i) the amounts appropriated by the county in the year from the county's county welfare fund and county welfare administration fund; divided by

(ii) the total amounts appropriated by all the taxing units in the county in the year; **and**

(B) 2001, 2002, and 2003, determine the result of:

(i) **the amounts appropriated by the county in the year from the county's county family and children's fund; divided by**

(ii) **the total amounts appropriated by all the taxing units in the county in the year.**

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be distributed to all the taxing units in the county under this subsection without regard to this subdivision.

STEP FIVE: Determine the result of:

⊕ (i) the STEP FOUR amount; multiplied by

(ii) the STEP THREE result.

The state welfare allocation shall be deducted from the total amount available for apportionment and distribution to taxing units under this section before any apportionment and distribution is made. The county auditor shall remit the state welfare allocation to the treasurer of state for deposit in a special account within the state general fund.

(d) Such determination shall be made from copies of vehicle registration forms furnished by the bureau of motor vehicles. Prior to such determination, the county assessor of each county shall, from copies of registration forms, cause information pertaining to legal residence of persons owning taxable vehicles to be verified from his records, to the extent such verification can be so made. He shall further identify and verify from his records the several taxing units within which such persons reside.

(e) Such verifications shall be done by not later than thirty (30) days after receipt of vehicle registration forms by the county assessor, and the assessor shall certify such information to the county auditor for his use as soon as it is checked and completed."

Delete pages 17 through 18.

Page 19, delete lines 1 through 14.

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Page 19, line 26, delete "[EFFECTIVE JANUARY 1, 2004]" and insert "[EFFECTIVE JULY 1, 2000]".

Page 23, between lines 5 and 6, begin a new paragraph and insert:  
 "SECTION 39. IC 12-19-7-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 1. As used in this chapter, "child services" means **the following**:

(1) Child welfare services specifically provided for children who are:

(+) (A) adjudicated to be:

(A) (i) children in need of services; or

(B) (ii) delinquent children; or

(+) (B) recipients of or are eligible for:

(A) (i) informal adjustments;

(B) (ii) service referral agreements; and

(C) (iii) adoption assistance;

including the costs of using an institution or facility in Indiana for providing educational services as described in either IC 20-8.1-3-36 (if applicable) or IC 20-8.1-6.1-8 (if applicable), all services required to be paid by a county under IC 31-40-1-2, and all costs required to be paid by a county under IC 20-8.1-6.1-7.

(2) **Assistance awarded by a county to a destitute child under IC 12-17-1.**

(3) **Child welfare services as described in IC 12-17-3."**

Page 26, line 9, delete "child" and insert "**early intervention team established by IC 31-34-24**".

Page 26, line 10, delete "protection team established under IC 31-33-3".

Page 28, line 18, after "21.5." insert "(a)".

Page 28, between lines 22 and 23, begin a new paragraph and insert:  
**"(b) Any money remaining in a county family and children's fund on January 1, 2004, must be used for services previously payable from the county family and children's fund. Fund balances in each county's family and children's fund are available to the division of family and children beginning January 1, 2004, for use in fulfilling the requirements previously paid from the county family and children's fund within each county.**

(c) **With the approval of the governor and the budget agency, money appropriated to the division of family and children for programs, services, and activities described in subsection (a) may be augmented from the state general fund."**

Page 37, after line 34, begin a new paragraph and insert:

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"SECTION 68. **An emergency is declared for this act.**".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1006 as introduced.)

BAUER, Chair

Committee Vote: yeas 24, nays 1.

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## COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred House Bill No. 1006, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete the title and insert the following:

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

Page 1, delete lines 1 through 17, begin a new paragraph and insert:  
"SECTION 1. IC 4-10-20 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

**Chapter 20. State Fiscal Year Spending Limit**

**Sec. 1. (a) This chapter does not apply to the extent that payments for pensions, including accrued unfunded liability, and final court judgments on which the state is obligated to pay exceed the spending limits imposed by this chapter.**

**(b) This chapter does not apply to the extent that money expended from a reserve fund exceeds the spending limits imposed by this chapter if the initial transfer of the money into the reserve fund was included in the fiscal year spending of a previous state fiscal year.**

**Sec. 2. As used in this chapter, "CPI" refers to the United States Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the U.S. City Average for All Items, or its successor index.**

**Sec. 3. As used in this chapter, "fiscal year spending" means all state governmental expenditures and reserve increases in a state fiscal year, except expenditures from the following:**

- (1) Money deposited into the excess tax fund established under section 10 of this chapter.**
- (2) Money received as gifts.**
- (3) Federal funds.**
- (4) Money collected for another government.**
- (5) Pension contributions by employees and pension fund earnings.**
- (6) Money received from damage awards.**
- (7) Money received from property sales.**
- (8) Money received from settlement awards.**
- (9) State dedicated funds.**

**Sec. 4. As used in this chapter, "inflation" means, with respect to any fiscal year, the lesser of:**

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- (1) the percentage change between:
  - (A) the quotient of:
    - (i) the sum of the CPI for the twelve (12) months ending in April of the calendar year before the adoption of the state biennial budget; divided by
    - (ii) twelve (12); and
  - (B) the quotient of:
    - (i) the sum of the CPI for the twelve (12) months ending in April of the calendar year before the calendar year described in clause (A); divided by
    - (ii) twelve (12); or
- (2) six percent (6%).

Sec. 5. As used in this chapter, "maximum annual percentage change in fiscal year spending" means the sum of the following:

- (1) Inflation with respect to the fiscal year in question, as calculated under section 4 of this chapter.
- (2) The annual percentage rate of change in population.
- (3) One percent (1%).

Sec. 6. As used in this chapter, "population" means:

- (1) the number of residents of the state as estimated by the United States Bureau of the Census each year; or
- (2) the number of residents of the state as counted by the United States Bureau of the Census in a decennial census.

Sec. 7. As used in this chapter, "state fiscal year" means the twelve (12) month period beginning July 1 in a calendar year.

Sec. 8. Before July 1 of calendar year 2000 and each even-numbered year thereafter, the department of state revenue shall:

- (1) certify to the governor and the legislative council:
  - (A) the inflation amount calculated under section 4 of this chapter; and
  - (B) the annual percentage rate of change in population as reported in the most recent population estimate report of the United States Bureau of Census; and
- (2) release the information certified under subdivision (1) to the general public.

Sec. 9. (a) This subsection applies to a state fiscal year beginning July 1 of calendar year 2001 and each odd-numbered year thereafter. The state may not increase fiscal year spending more than the maximum annual percentage change in fiscal year spending applicable to that state fiscal year.

(b) This subsection applies to a state fiscal year beginning July



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1 of calendar year 2002 and each even-numbered year thereafter. State fiscal year spending may not exceed the amount determined under the following STEPS:

**STEP ONE:** Determine the amount of state fiscal year spending permitted under subsection (a).

**STEP TWO:** Multiply the STEP ONE amount by the maximum annual percentage change in fiscal year spending applicable to the previous state fiscal year.

**STEP THREE:** Add the amount resulting from STEP TWO to the STEP ONE amount.

(c) If the general assembly considers it necessary to spend beyond the spending limit imposed by this chapter, the general assembly may do so by adopting a concurrent resolution approved by a majority of both houses of the general assembly. The resolution must state:

(1) that the general assembly desires to budget and spend more funds than permitted by IC 4-10-20; and

(2) the reasons necessitating the excess spending.

Upon passage of such a resolution, a cause of action may not be initiated under section 12 of this chapter if the excess spending results from passage of the resolution and the reasons for the excess spending stated in the resolution.

**Sec. 10.** If revenue from sources not excluded from fiscal year spending exceeds the spending limit imposed under this chapter for that state fiscal year, the excess must be deposited into the excess tax fund established under section 11 of this chapter to be used for".

Delete pages 2 through 17.

Page 18, delete lines 1 through 14.

Page 18, line 15, delete ". All or a portion of the certified distribution to" and insert "**programs enacted by the general assembly.**

**Sec. 11. (a)** The excess tax fund is established for the purpose of providing property tax relief under programs enacted by the general assembly. The fund shall be administered by the treasurer of state.

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) The treasurer of state shall invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.



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**(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.**

**Sec. 12. This chapter may be enforced in a private individual or class action suit. Successful plaintiffs are allowed costs and reasonable attorney's fees. The state may recover costs and reasonable attorney's fees under this chapter only if a suit against it is ruled frivolous. Revenue collected illegally, kept illegally, or spent illegally for the four (4) state fiscal years preceding the date that the suit is filed shall be deposited in the excess tax fund commencing for each state fiscal year on the date the state exceeds the spending limitation imposed for that state fiscal year under this chapter.**

SECTION 2. IC 6-1.1-20.9-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) Except as otherwise provided in section 5 of this chapter, an individual who on March 1 of a particular year either owns or is buying a homestead under a contract that provides the individual is to pay the property taxes on the homestead is entitled each calendar year to a credit against the property taxes which the individual pays on the individual's homestead. However, only one (1) individual may receive a credit under this chapter for a particular homestead in a particular year.

(b) The amount of the credit to which the individual is entitled equals the product of:

- (1) the percentage prescribed in subsection (d); multiplied by
- (2) the amount of the individual's property tax liability, as that term is defined in IC 6-1.1-21-5, which is attributable to the homestead during the particular calendar year.

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2001 and thereafter	10%
2002 and thereafter	4%



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However, the property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the credit provided in the schedule for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. If the board increases the percentage of the credit provided in the schedule for any year, the percentage of the credit for the immediately following year is the percentage provided in the schedule for that particular year, unless as provided in this subsection the board in its discretion increases the percentage of the credit provided in the schedule for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

- (1) an individual uses the residence as the individual's principal place of residence;
- (2) the residence is located in Indiana;
- (3) the individual has a beneficial interest in the taxpayer;
- (4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and
- (5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling."

Page 18, delete lines 16 through 42.

Delete pages 19 through 58.

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Page 59, delete lines 1 through 6.

Re-number all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1006 as printed January 18, 2000.)

BORST, Chairperson

Committee Vote: Yeas 9, Nays 4.

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