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**FISCAL IMPACT STATEMENT**

**LS 7388**

**BILL NUMBER:** HB 1426

**NOTE PREPARED:** Jan 27, 2009

**BILL AMENDED:**

**SUBJECT:** Fire Protection Territories and Taxation.

**FIRST AUTHOR:** Rep. Battles

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** \_\_\_ **GENERAL**  
                          \_\_\_ **DEDICATED**  
                          \_\_\_ **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that for purposes of allocating any County Adjusted Gross Income Tax (CAGIT), County Option Income Tax (COIT), and County Economic Development Income Tax (CEDIT) distributions or excise tax distributions that are based on the amount of a taxing unit's property tax levies, each unit participating in a fire protection territory shall be considered to have imposed a part of the property tax levy imposed for the fire protection territory.

The bill specifies that the part of the property tax levy imposed for the fire protection territory that is attributed to a particular participating unit is based on the percentage determined by dividing: (1) the participating unit's property tax levies imposed in the year before a property tax levy was first imposed for the fire property territory; by (2) the property tax levies imposed by all participating units in the year before a property tax levy was first imposed for the fire property territory.

The bill also provides that the legislative bodies of all participating units in a fire protection territory may agree to change the provider unit of the territory and it specifies that the provider unit may not be changed more than one time in a year.

**Effective Date:** Upon passage; July 1, 2009.

**Explanation of State Expenditures:** The Department of Local Government Finance (DLGF) is responsible for allocating CAGIT, COIT, and CEDIT revenues between the taxing units. The DLGF would have to make programming changes to accommodate the new distribution method in this bill. This should be accomplished within the existing level of resources.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, the legislative bodies of at least two contiguous taxing units may establish a fire protection territory (FPT). All units involved in the FPT are participating units, one of which is the provider unit. The provider unit imposes a levy and tax rate upon all of the property in the FPT, and the other participating units' levies for fire protection are eliminated.

Proceeds from CAGIT, COIT, and CEDIT are currently distributed to qualifying taxing units in the county based on each taxing unit's portion of the total qualified county levy. The excise taxes (motor vehicle, commercial vehicle, aircraft, and boat excise taxes) paid by residents or businesses located in each taxing district are distributed to each of the taxing units that serve that taxing district, based on each taxing unit's portion of the total district levy.

Beginning in 2009 under this proposal, the income and excise tax distributions would assume that the levy imposed by an FPT are attributable to the participating units. Each unit's portion would be based on (1) that taxing unit's total levy in the year before the FPT was established, as a percentage of (2) the total of those levies for all of the participating units.

Revenues for provider units would be reduced, while the revenues for the remainder of the participating units would increase. According to available data, there are currently 20 fire protection territories. County auditors reported that FPTs received \$2.7 M in excise taxes in 2007, \$241,000 in CAGIT PTRC in 2008, and \$8.4 M in certified shares for CAGIT, COIT, and CEDIT in 2008.

Under this bill, revenue losses for provider units are estimated at \$130,000 in excise tax, \$31,000 in CAGIT PTRC, and \$550,000 in certified shares. The other participating units would have revenue increases in the same amounts. A change in CAGIT PTRC shifts property tax relief dollars between taxing units with no change in the units' total available revenue. A change in excise tax or certified shares is a change in spendable dollars.

**State Agencies Affected:** DLGF.

**Local Agencies Affected:** County auditors; Participating units in fire protection districts.

**Information Sources:** Local Government Database.

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