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**FISCAL IMPACT STATEMENT**

**LS 7238**

**BILL NUMBER:** HB 1250

**NOTE PREPARED:** Jan 9, 2013

**BILL AMENDED:**

**SUBJECT:** Levy limits.

**FIRST AUTHOR:** Rep. Truitt

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill adjusts the maximum permissible ad valorem property tax levy limit of a civil taxing unit to restore the amount of unused maximum permissible ad valorem property tax levy that the civil tax unit would have if no changes in the definition of "maximum permissible ad valorem property tax levy for the preceding calendar year" had been enacted after calendar year 2004.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** The Department of Local Government Finance (DLGF) would have to adjust each taxing unit's maximum levy base for the 2013 maximum levy in accordance with this bill. The DLGF would have to publish the new base on its website until at least December 31, 2013. The DLGF would also have to notify each taxing unit of the new base by August 1, 2012. The DLGF should be able to fulfill these requirements with existing resources.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* Maximum levy limits would increase by a total of about \$489 M in 2014 under this bill. Of 2,449 units examined, about 2,340 would have increases. Many of the increases would be very small. Of the total, 1,792 units would have increases of at least 1%. The following table contains a summary of maximum levy increases by unit type and maximum levy type.

<b>Unit / Max Levy Type</b>	<b>Max Levy Increase</b>
Counties	46,456,862
Township Fire	11,064,087
Township - Operating	27,760,235
Cities & Towns	204,796,260
School Transportation	55,101,245
Libraries	15,555,780
Special Units	127,446,045
Fire Territories	1,086,466
	<b>489,266,980</b>

The overall effect of this bill would depend on whether taxing units opt to increase their actual levies within their new levy limits. The tax rate would increase if a taxing unit increases its levy. Net tax bills would increase as would circuit breaker losses both for the units that increase their levies and for civil taxing units and the school corporations that intersect with them.

*Background:* Prior to 2004, civil taxing unit and school transportation maximum permissible levies were calculated each year by multiplying the previous year's maximum levy by the six-year average increase in Indiana nonfarm personal income (AVGQ). A taxing unit that did not use all of its maximum levy in a year never lost the unused amount from its base.

Under SEA 1 - 2004, the calculation for the maximum levies was changed so that the new maximum levy was equal to the previous year's actual levy rather than the maximum levy. This change removed the previously unused portion of maximum levies from the base and eliminated any "banking" of unused levy authority in the future.

Under SEA 260 - 2006, the old maximum levy calculation and the "banking" of unused levy authority were partially restored for civil units beginning with taxes payable in 2007. One-half of the previous year's unused levy authority is available for use in the current year. Maximum levy authority that was lost in a year prior to 2007 was not restored.

Under HEA 1288 - 2011, The maximum levy calculation for civil units and school transportation funds reverted to the pre-2004 calculation method beginning with taxes payable in 2012. This means that any unused levy authority in a year would be available in all future years. Levy authority that may have been lost in previous years was not restored.

Under this bill, 2013 maximum levies would be calculated so as to restore any levy authority that was lost in prior years. The calculation for 2014 would start with 2003 maximum levies as the base and then grow them each year without regard to whether any levy authority was unused.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Civil taxing units and school corporations.

**Information Sources:** Local Government Database, DLGF.

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