

**COUNTY AUDITORS'
FALL 2013 CONFERENCE**

**Local Option Income Tax (LOIT)
Accounting**

**Presented by
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LOIT Accounting Topics

- **Accounting for;**
 - **County Adjusted Gross Income Tax (CAGIT)**
 - Certified Shares & Property Tax Replacement
 - **County Option Income Tax (COIT)**
 - Without COIT Homestead Credit (HSC)
 - With COIT HSC
 - **LOIT (CAGIT & COIT)**
 - Property tax relief
 - Levy freeze
 - Public Safety
 - **County Economic Development Income Tax (CEDIT)**
 - Distributive shares
 - HSC
 - **CAGIT, COIT & CEDIT**
 - Specific legislation distributions

CAGIT Certified Shares & Property Tax Replacement

- Distributed to county monthly
- Monthly state CAGIT Certified Shares and Property Tax Replacement distribution includes any of the following additional CAGIT monies the county may have adopted;
 - CAGIT - Special legislation
 - LOIT PTRC
 - LOIT HSC
 - LOIT Qualified Residential PTRC
 - LOIT Levy Freeze
 - LOIT Public Safety
- The distribution fund for CAGIT Certified Shares and Property Tax Replacement can be
 - A separate fund for each, or
 - A combined fund
- The distribution fund should have a zero balance at every month end and year end

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CAGIT Certified Shares & Property Tax Replacement Distributions to Taxing Units

- Quietus the state distribution to the distribution fund
- The report received from the AOS at the beginning of the year identifies the CAGIT Certified Shares and Property Tax Replacement distribution amount
 - DLGF CAGIT report identifies the Certified Shares and Property Tax Replacement separation
- Within 10 days of receiving distribution from state, distributions must be made to taxing units
- January to November distributions to taxing units equal 1/12th of the taxing unit amount shown on DLGF CAGIT Report

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CAGIT Certified Shares & Property Tax Replacement Distributions to Taxing Units

- December distribution to taxing unit equals the taxing unit amount shown on DLGF CAGIT Report minus the sum of the January to November taxing unit distributions
- A rounding adjustment made need to be made to the county unit distribution amount for the January to November distributions and the December distribution so that the total distributed to taxing units equals the CAGIT Certified Shares & Property Tax Replacement distribution received from the state
- The distribution fund should have a zero balance at every month end and year end

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COIT Distributive Shares Without COIT HSC

- Distributed to county monthly
- Monthly state COIT Distributive Shares distribution includes any of the following additional COIT monies the income tax council may have adopted;
 - COIT - Special legislation
 - LOIT PTRC
 - LOIT HSC
 - LOIT Qualified Residential PTRC
 - LOIT Levy Freeze
 - LOIT Public Safety
- A separate distribution fund for the receipt and disbursement of COIT Distributive Shares must be maintained
- The distribution fund should have a zero balance at every month end and year end

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COIT Distributive Shares Without COIT HSC

- Quietus the distribution from state to a separate distribution fund
- The report received from the AOS at the beginning of the year identifies the COIT Distributive Shares distribution amount
- Within 10 days of receiving distribution from state, distributions must be made to taxing units
- January to November distributions to taxing units equal 1/12th of the taxing unit amount shown on DLGF COIT Report

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COIT Distributive Shares Without COIT HSC

- December distribution to taxing unit equals the taxing unit amount shown on DLGF COIT Report minus the sum of the January to November taxing unit distributions
- A rounding adjustment made need to be made to the county unit distribution amount for the January to November distributions and the December distribution so that the total distributed to taxing units equals the COIT Distributive Shares distribution received from the state
- The distribution fund should have a zero balance at every month end and year end

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COIT Distributive Shares With COIT HSC

- Distributed to county monthly
- Monthly state COIT Distributive Shares distribution includes any of the following additional COIT monies the income tax council may have adopted;
 - COIT - Special legislation
 - LOIT PTRC
 - LOIT HSC
 - LOIT Qualified Residential PTRC
 - LOIT Levy Freeze
 - LOIT Public Safety
- When a COIT County has COIT HSC there is an added twist to the distributive shares distributions to taxing units
- The added twist is that not all of the distributive shares distribution received from the state is distributed to the taxing units
- A portion of the state distribution is held back to fund the COIT HSC at June and December Settlement

COIT Distributive Shares With COIT HSC

- The portion of the state distribution that is held back for COIT HSC can either be put in a separate COIT HSC Fund or left in the COIT Distribution Fund
- If there are separate funds, then the COIT HSC Fund balance must be transferred to the COIT Distributive Shares Distribution Fund at year end and the COIT HSC and COIT Distributive Shares Distribution Fund balance must be zero at year end
- If there is a single fund, then the COIT Distributive Shares Distribution Fund balance must be zero at year end
- To accomplish the above the December COIT Distributive Shares distributions to taxing units cannot be made until after the December Settlement is completed

COIT Distributive Shares With COIT HSC

- At the beginning of the year the monthly amount that is held back for COIT HSC is based on the Homestead Credit amount that is on the DLGF COIT Report and the monthly distributive shares distributions to taxing units are based on the distributive shares amounts on the DLGF COIT Report
- Once the Abstract is approved then the monthly amount held back for COIT HSC is adjusted to the Abstract COIT HSC amount and the monthly distributive shares distributions to taxing units are adjusted accordingly

COIT Distributive Shares With COIT HSC

- At the beginning of the year the monthly amount that is held back for COIT HSC is 1/12th the Homestead Credit amount that is on the DLGF COIT Report and the monthly distributive shares distributions to taxing units are 1/12th the distributive shares amounts on the DLGF COIT Report
- Once the Abstract is approved then the estimated amount of COIT HSC to be held back for the remainder of the year can be determined
- Estimated amount of COIT HSC to be held back for the remainder of the year is equal to the Abstract amount minus the COIT HSC held back to date
- The new monthly COIT HSC to be held back is the estimated amount of COIT HSC to be held back for the remainder of the year divided by the number of months remaining in the year

COIT Distributive Shares With COIT HSC

- The new total monthly COIT Distributive Shares distribution amount to taxing units is the state monthly distribution minus the new monthly COIT HSC amount to be held back
- The new monthly taxing unit distributive shares amounts are calculated by multiplying an allocation factor times the taxing unit distributives shares amounts shown on the DLGF COIT Report
- The allocation factor is equal to the new total monthly COIT distributive shares amount divided by the DLGF COIT Report distributive shares total

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COIT Distributive Shares With COIT HSC

- A rounding adjustment made need to be made to the county unit monthly distribution amount so that the total of the monthly distributions to taxing units plus the monthly COIT HSC amount held back equals the monthly distribution received from the state
- Before the treasurer certifies tax collections at the June Settlement a check equal to either 1/2 or 5/12ths of the Abstract COIT HSC amount is written to the treasurer from the COIT Fund to include in the June Settlement
- A taxing district breakdown must be given to the treasurer with the check
- The taxing district breakdown equals 1/2 or 5/12 of the taxing district Abstract amounts

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COIT Distributive Shares With COIT HSC

- Before the treasurer certifies tax collections at the December Settlement a check equal to the Abstract COIT HSC amount minus the amount disbursed to the treasurer at June Settlement is written to the treasurer from the COIT Fund to include in the December Settlement
- A taxing district breakdown must be given to the treasurer with the check
- The taxing district breakdown equals the taxing district Abstract amounts minus the June amount

COIT Distributive Shares With COIT HSC

- At the December Settlement the HSC Reconciliation Worksheet is completed to determine if additional COIT HSC is needed or if there is an excess of COIT HSC
- If additional COIT HSC is needed, then a check is written from the COIT Fund and the December COIT Distributive Shares distributions to taxing units are decreased proportionally
- If there is excess COIT HSC then the excess is quietus to the COIT Fund and December COIT Distributive Shares distributions to taxing units are increased proportionally

LOIT Property Tax Relief

- **CAGIT and COIT Counties can adopt LOIT for property tax relief**
- **The LOIT property tax relief that can be adopted can be any one of the following three credits or all of the following three credits or any two of the three**
 - **Property Tax Replacement Credit (PTRC)**
 - **Homestead Credit (HSC)**
 - **Qualified Residential Property Tax Replacement Credit (Res PTRC)**
- **If a county has adopted any of the credits, then the monthly state CAGIT or COIT distribution will include the LOIT property tax relief amount or amounts**
- **The report received from the AOS at the beginning of the year identifies the distribution amount for each LOIT property tax relief**

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LOIT Property Tax Relief

- **A separate fund must be maintained for each LOIT property tax relief credit adopted**
- **The monthly state distribution amount must be quietus directly to each LOIT property tax relief credit fund**
- **LOIT property tax relief credit is not distributed directly to taxing units it is included in property tax distributions**

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LOIT Property Tax Relief

- **Using the property tax credit worksheet(s) provided by the AOS the property tax credit rate(s) is(are) calculated**
- **The property tax credit rate(s) is(are) used in the calculation of property tax bills**
- **The property tax credit amounts are included on the Abstract**

LOIT Property Tax Relief

- **Before the treasurer certifies tax collections at the June Settlement a check equal to either 1/2 or 5/12ths of the Abstract LOIT property tax credit amount is written to the treasurer from the LOIT property tax credit fund(s) to include in the June Settlement**
- **A taxing district breakdown must be given to the treasurer with the check**
- **The taxing district breakdown equals 1/2 or 5/12 of the taxing district Abstract amounts**

LOIT Property Tax Relief

- **Before the treasurer certifies tax collections at the December Settlement a check equal to the Abstract LOIT property tax credit amount minus the amount disbursed to the treasurer at June Settlement is written to the treasurer from the LOIT property tax credit fund(s) to include in the December Settlement**
- **A taxing district breakdown must be given to the treasurer with the check**
- **The taxing district breakdown equals the taxing district Abstract amounts minus the June amount**

LOIT Property Tax Relief

- **At the December Settlement the HSC Reconciliation Worksheet is completed to determine if additional LOIT HSC or LOIT Res PTRC is needed or if there is an excess**
- **Also, at the December Settlement the PTRC Reconciliation Worksheet is completed to determine if additional LOIT PTRC is needed or if there is an excess**
- **If additional LOIT credit(s) is or are needed, then a check is written from the LOIT credit fund(s)**
- **If there is excess LOIT credit(s) then the excess is quietus to the LOIT fund(s)**
- **The balance (positive or negative) in the LOIT fund(s) remains in the fund(s) to be used in the following year to calculate the LOIT credit rate(s)**

LOIT Levy Freeze

- **The monthly state distribution amount must be quietus directly to the LOIT levy freeze fund**
- **DLGF provides each levy freeze county a Levy Freeze Certification and Equivalency Rates report**
- **The report lists each taxing unit that is to receive a levy freeze distribution and the levy type**
- **County auditor distributes LOIT levy freeze money monthly within 10 days of receiving the state distribution**

LOIT Levy Freeze

- **The monthly state distribution amount must be quietus directly to the LOIT levy freeze fund**
- **DLGF provides each levy freeze county a Levy Freeze Certification and Equivalency Rates report**
- **The report lists each taxing unit that is to receive a levy freeze distribution and the levy type**
- **County auditor distributes LOIT levy freeze money monthly within 10 days of receiving the state distribution**

LOIT Levy Freeze

- **The DLGF Levy Freeze Certification and Equivalency Rates report contains the following columns and information**
 - DLGF Taxing Unit Number
 - Name of Taxing Unit to receive a levy freeze distribution
 - Levy type
 - The full levy freeze amount
 - LOIT Equivalency Rate
 - The levy freeze amount to be received in state distributions
 - The difference between the full levy freeze amount and the levy freeze amount to be received in state distributions

LOIT Levy Freeze

- **If the difference column is a positive amount then the difference is the amount of the levy freeze state distribution to be quietus to the levy freeze stabilization fund**
- **If the difference column is a negative amount then the difference is the amount of the levy freeze distributions to taxing units to come from the stabilization fund, if there is sufficient money in the stabilization fund**
- **If there isn't sufficient money in the levy freeze stabilization fund to cover the negative amounts in the difference column of the DLGF Levy Freeze Certification and Equivalency Rates report, then the full levy freeze amount cannot be distributed to the taxing units**

LOIT Levy Freeze

- The total levy freeze distributions for the year cannot be more than the money available for levy freeze distributions
- The money available for levy freeze distributions is the total of the amount in the stabilization fund plus the total levy freeze state distribution to be received in the current year
- If the difference column of the DLGF Levy Freeze Certification and Equivalency Rates report is negative, then the calculation of the levy freeze money available for levy freeze distributions must be done before the first levy freeze distribution of the year is made
- If there is insufficient levy freeze money available to distribute the full levy freeze amount, then each taxing unit's levy freeze distribution will equal the total levy freeze money available for distribution prorated by the full levy freeze amounts

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LOIT Public Safety

- CAGIT and COIT Counties can adopt LOIT public safety
- If a county has adopted LOIT public safety, then the monthly state CAGIT or COIT distribution will include the LOIT public safety amount
- The report received from the AOS at the beginning of the year identifies the public safety distribution amount
- A separate fund must be maintained for the LOIT public safety

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LOIT Public Safety

- The monthly state distribution amount must be quietus directly to the LOIT public safety distribution fund
- DLGF provides each LOIT public safety county a LOIT Public Safety Distribution report
- The report lists the taxing units that may receive a public safety distribution and the potential distribution amount
- County auditor distributes LOIT public safety money monthly within 10 days of receiving the state distribution

LOIT Public Safety

- Before July 1 each year fire department(s), volunteer fire department(s) and/or emergency services provider(s) may apply to county councils in CAGIT counties and income tax councils in COIT counties to receive LOIT public safety funds in the following calendar year
- The councils must review the applications and may before September 1 each year adopt an ordinance approving the distribution of LOIT public safety funds in the following calendar year to one or more of the applicants
- The ordinance must specify the amounts
- The approval is valid for one year
- The application and approval process is an annual event

LOIT Public Safety

- **Distributions to approved fire department(s), volunteer fire department(s) and/or emergency services provider(s) occur first and the remainder of the public safety money is distributed to the taxing units listed on the DLGF report as long as the taxing unit provides at least one public safety activity recognized under IC 6-3.5-1.1-25 OR IC 6-3.5-6-31**
- **When distributions are made to fire department(s), volunteer fire department(s) and/or emergency services provider(s), then the distribution amounts to the taxing units listed on the DLGF report are reduced proportionally**
- **The LOIT Public Safety Distribution Fund should have a zero balance at every month end and year end**

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CEDIT Distributive Shares

- **Distributed to county monthly**
- **A separate distribution fund for the receipt and disbursement of CEDIT Distributive Shares distributions must be maintained**
- **The distribution fund should have a zero balance at every month end and year end**
- **Within 10 days of receiving a distribution from the state, distributions must be made to taxing units**

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CEDIT Distributive Shares

- **January to November distributions to taxing units equal 1/12th of the taxing unit amount shown on DLGF CEDIT Report**
- **December distribution to taxing unit equals the taxing unit amount shown on DLGF CEDIT Report minus the sum of the January to November taxing unit distributions**
- **A rounding adjustment made need to be made to the county unit distribution amount for the January to November distributions and the December distribution so that the total distributed to taxing units equals the CEDIT Distributive Shares distribution received from the state**
- **The distribution fund should have a zero balance at every month end and year end**

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CEDIT HSC

- **Distributed to county monthly**
- **A separate distribution fund for the receipt and disbursement of CEDIT HSC must be maintained**
- **The monthly state distribution amount must be quietus directly to the CEDIT HSC Fund**
- **The year end balance in the CEDIT HSC Fund remains in the fund to be used in the following year to calculate the CEDIT HSC credit rate**
- **CEDIT HSC is not distributed directly to taxing units**
- **CEDIT HSC is included in property tax distributions**

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CEDIT HSC

- Using the property tax credit worksheet provided by the AOS the CEDIT HSC rate(s) is(are) calculated
- The property tax credit rate(s) is(are) used in the calculation of property tax bills
- The property tax credit amounts are included on the Abstract

CEDIT HSC

- Before the treasurer certifies tax collections at the June Settlement a check equal to either 1/2 or 5/12ths of the Abstract CEDIT HSC amount is written to the treasurer from the CEDIT HSC fund to include in the June Settlement
- A taxing district breakdown must be given to the treasurer with the check
- The taxing district breakdown equals 1/2 or 5/12 of the taxing district Abstract amounts

CEDIT HSC

- Before the treasurer certifies tax collections at the December Settlement a check equal to the Abstract CEDIT HSC amount minus the amount disbursed to the treasurer at June Settlement is written to the treasurer from the CEDIT HSC fund to include in the December Settlement
- A taxing district breakdown must be given to the treasurer with the check
- The taxing district breakdown equals the taxing district Abstract amounts minus the June amount

CEDIT HSC

- At the December Settlement the HSC Reconciliation Worksheet is completed to determine if additional CEDIT HSC is needed or if there is an excess
- If additional CEDIT HSC is needed, then a check is written to the treasurer from the CEDIT HSDC fund
- If there is excess CEDIT HSC then the excess is quietus to the CEDIT HSC fund
- The balance (positive or negative) in the CEDIT HSC fund remains in the fund to be used in the following year to calculate the CEDIT HSC rate

CAGIT, COIT and/or CEDIT Special Legislation Distributions

- **Distributed to county monthly**
- **Monthly state distribution includes any other CAGIT, COIT and/or CEDIT that have been adopted by the applicable council**
- **A separate fund for the receipt and disbursement of the special legislation distribution must be maintained**

CAGIT, COIT and/or CEDIT Special Legislation Distributions

- **The report received from the AOS at the beginning of the year identifies the distribution amount for the special distribution amount**
- **The special distribution funds are disbursed in accordance with the legislation authorizing the special distribution and the ordinance adopting the special distribution**
- **The year end balance of the fund remains in the fund for future expenditures**