



# Department of Local Government Finance

## Property Tax Referenda

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# Agenda

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- I. Overview
- II. Changes made by HEA 1271-2021
- III. Revenue spending plans
- IV. Other considerations



# Disclaimer

- This presentation and other Department materials are not a substitute for the law. The following is not legal advice, just an informative presentation.
- The Indiana Code always governs.



# Overview of Property Tax Referenda



# Three Types of School Referenda

- Controlled Project (Ind. Code § 6-1.1-20-3.5, 3.6)
- School Safety (Ind. Code § 20-46-9)
- Operating (Ind. Code § 20-46-1)



# Controlled Project Referendum

- Ind. Code § 6-1.1-20-3.5 & 3.6
- Applies to controlled capital projects with a cost exceeding a certain dollar amount.
  - “Controlled” refers to taxpayers’ control over the ability of the unit to issue bonds or execute a lease for a project.
  - Statute dictates the “controlling process” using a three-tiered approach based on cost.
    - Lowest → uncontrolled (unit can take out bond or lease)
    - Intermediate → race for signatures for or against (petition/remonstrance)
    - Highest → put before the voters (referendum)
- Some statutory exceptions where a referendum is not required.



# Controlled Project Referendum

What cost requires a referendum on a controlled project?

## Non-School Units

1. Is GAV of unit at least \$100,000,000?

- a) No → \$1,000,000
- b) Yes, see 2.

2. What is 1% of GAV?

- a) Under \$5,575,690\* →  
use 1% of GAV
- b) At or over \$5,575,690\*
  - i. Under \$16,727,070\* →  
use petition & remonstrance
  - ii. At or over \$16,727,070\* →  
use referendum

## School Corporations

1. Is GAV of unit at least \$1,000,000,000?

- a) No → \$10,000,000
- b) Yes, see 2.

2. What is 1% of GAV?

- a) Under \$5,575,690\* →  
use 1% of GAV
- b) At or over \$5,575,690\*
  - i. Under \$16,727,070\* →  
use petition & remonstrance
  - ii. At or over \$16,727,070\* →  
use referendum

\*Values for 2021 only. Annually adjusted upward by the MLGQ for the ensuing year.



# Controlled Project Referendum

- Referendum on a controlled project required if a petition by property owners/registered voters in the unit is filed with the county clerk.
  - 500 owners/voters or 5% of voters, whichever is less.
  - No petition, bonds or leases can be issued without referendum.





# Controlled Project Referendum

- Unit/school corporation requests county auditor to determine estimated average percent tax increase.
- Unit fiscal body/school board adopts preliminary determination on project.
- If petition is timely & successfully filed with county clerk, county election board certifies proposed ballot question to the Department.
  - Must include auditor's determination.



# Controlled Project Referendum

- The Department reviews ballot question for compliance with statute, including whether question is inaccurate or biased.
- Auditor's certified estimated average percent increases posted on the Department's website.
- Once approved, question is returned to county election board to be put on the ballot.
- Final certification must be done by
  - 74 days before a primary election,
  - 60 days before a special May election, or
  - August 1 before a general November election.



# School Safety & Operating Referenda

## School Safety Referendum

- Ind. Code § 20-46-9, effective July 1, 2019
- Uses listed in Ind. Code § 20-40-20-6, including:
  - Hire school resource officers.
  - Conduct a threat assessment.
  - Develop or update emergency response systems.
  - Capital expenses related to improving school safety (metal detectors, equipment, etc.)
  - Professional development programs related to school safety.
- Tax rate is limited to \$0.10 per \$100 AV.



# School Safety & Operating Referenda

## Operating Referendum

- Ind. Code § 20-46-1
- For either of the following purposes:
  - To increase the school corporation's tax levy because it cannot perform its public educational duty without it.
    - Salaries
    - Hiring and retaining staff, esp. teachers
    - Transportation
    - Implementing academic programs
  - To offset circuit breaker losses.



# School Safety & Operating Referenda

## Operating Referendum

- Can be sought in tandem with a controlled project referendum.
- Cannot be sought if:
  - A school safety referendum levy was approved in the last 3 years.
  - An operating referendum levy was approved in the previous year.



# School Safety & Operating Referenda

- Ballot question must state:
  - How many years the levy will be imposed, if approved.
  - A short description of the purpose for the levy.
  - The estimated average percent increase for residential & business property.
  - When last referendum was held & whether it passed or failed.
- Form of the question is prescribed by statute & is subject to Department approval.
- Levy can be imposed for up to 8 years but may be extended for an additional 8-year term through another referendum.



# School Safety & Operating Referenda

- If a referendum fails, school corporation cannot hold another referendum for 700 days. Can cut wait time down to 350 days if 500 taxpayers/voters or 5% of voters in the school corporation petition for it.
- A successful levy can be imposed for up to 8 years. Before the end of the last year of the referendum levy, a school corporation can place a question on the ballot to either:
  - Renew the current levy for the same term and rate.
  - Adopt a new levy with a different term and rate.



# School Safety & Operating Referenda

- School corporation requests county auditor to determine estimated average percent tax increase.
- School board adopts resolution with proposed question.
- Resolution is forwarded to the Department along with county auditor's determination.
- The Department reviews ballot question for compliance with statute.
- Auditor's certified estimated average percent increases posted on the Department's website.





# School Safety & Operating Referenda

- Once approved, proposed question is returned to school corporation.
- School board certifies proposed question to county election board to have it put on the ballot.
- Final certification must be done by
  - 74 days before a primary election,
  - 60 days before a special May election, or
  - August 1 before a general November election.



# Changes made by HEA 1271-2021



# The Form Template

- Changed by House Enrolled Act 1271-2021
  - Sections 35, 61-62, 65
  - Effective July 1, 2021
- Affects the form templates for
  - 1) Controlled Projects
  - 2) School Operations & Extensions
  - 3) School Safety



# The Form Template

- How is the form language different?
  - Uses percentage (%) increase in property taxes for both:
    - Residential Property
    - Business Property
  - Statement of last referendum date.
  - Statement of whether last referendum passed or failed.
- Refer to the Department memo “Legislative Changes to Property Tax Referenda” – Issued May 27, 2021.



# The Form Template

- Note: None of the form questions will include the proposed property tax rate that will be imposed on taxpayers. Taxpayers will therefore no longer see on the ballot, by virtue of the form template itself, the additional tax rate that would be paid if the referendum passes.
- The tax rate is a component of the formulas for the estimated average percent increases.



# Question

- *Q: What if the unit never held a referendum before?*
- A: HEA 1271 states that the unit shall use the form template as the ballot question after filling in the blanks as needed. This suggests that the unit must include when the unit last held a referendum and whether the referendum passed or failed. However, this provision assumes that every unit that is or will be conducting a referendum has previously held one in the past.



# Question

- (Cont'd)
- If a unit has never conducted a property tax referendum and therefore cannot fill-in the blanks in the last sentence of the ballot template, the Department will not object to removing that sentence from the proposed ballot question. The Department will do its own check to verify that the unit has indeed not previously held a property tax referendum.



# Question

- *Q: What if a school corporation held more than one referendum in the same year, such as one for operating and another for controlled projects?*
- A: The ballot template just refers to “the most recent property tax referendum” without distinguishing further by the type of referendum it was. The Department recommends including all the referenda done in the same election (May or November), indicating whether each referendum passed or failed.





# Question

- *Q: Can we include a proposed tax rate in the description of purpose?*
- A: The Department stresses that the statute requires a “short description of purpose” (or “brief description” in the case of a controlled project). A principle of statutory interpretation is that every word of a statute has to have meaning, unless doing so in the context of the whole statute creates an absurd result. While the meaning of “short” is open to interpretation, the description must still be short.



# Question

- (Cont'd)
- A unit may include the tax rate in the description in also describing the purpose or project. However, the unit may not then use this to comment or contextualize the tax rate to the advantage of the unit. For example, the Department has consistently held that it is inappropriate to state that the rate increase will be tax neutral in light of retiring debt.



# Estimated Average Percent Increase

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# Estimated Average Percent Increase

- There are separate formulas for residential and business property. Main differences are
  - Applying deductions & circuit breaker credits
  - Parcel data (AVs)
- Formulas are similar across referendum types. The key difference is the estimated referendum tax rate.
  - Controlled project: function of debt payment & CNAV
  - Operating & school safety: given by school corporation



# Preliminary Thoughts

1. “Residences” is not defined. However, based on the calculations in HEA 1271, the term likely refers to homesteads (properties subject to the 1% property tax cap).
2. Likewise, “business property” is not defined. This may refer to all properties subject to the 3% property tax cap, or just properties in the 300 or 400 class code series. What is appropriate will depend on the jurisdiction.
3. The form template does not have a formula for properties subject to the 2% cap (agricultural, non-homestead residential, and excess residential). Therefore, it is not necessary to make this calculation for these properties.
4. The term “average” is not defined, therefore per Ind. Code § 1-1-4-1(1) the term must be taken in its plain, ordinary, and usual sense. The Oxford American Dictionary defines “average” as “the result obtained by adding several amounts together and then dividing this total by the number of amounts” (the “arithmetic mean”).



# Preliminary Thoughts

5. Use the most readily available certified information.
6. The form of the proposed question states the estimated average percent increase is of the taxes to be paid to the unit offering the referendum and as a result of the referendum, not the overall increase of taxes paid by the taxpayer.
  - For example, a proposed question states that the tax from the referendum will represent an average 15% increase to the taxpayers. That means the taxes that the unit will impose if the referendum is successful will increase by an average of 15% as a result of the referendum, not that the taxpayers' taxes will go up by an average of 15%.
  - Information on how to calculate the estimated average percent of the property tax increase can be found in the "Property Tax Referendum Calculations" Memo – Issued on May 27, 2021.



# Calculation for Residential Properties

**Step 1: Average AV of a homestead located in the unit.**

- Sum of the gross AV of all homesteads  $\div$  # of homesteads.
- Use of anything other than the average is inappropriate.



# Calculation for Residential Properties

**Step 2: Apply the homestead standard & supplemental deductions.**

- Follow Ind. Code § 6-1.1-12-37(c) & 37.5(b).
- This will yield an average net AV for homesteads.

**Step 3: Step 2 ÷ 100.**

- This will yield the net AV taxed at a rate per \$100.





# Calculation for Residential Properties

**Step 4: Find the overall average tax rate for the current year within the unit.**

1. Find all the taxing districts that comprise the boundaries of the unit.
2. Find the tax rate for each taxing district. E.g., in the abstract or in the certified budget order.
3. Find the sum of all tax rates.
4. Sum of all tax rates  $\div$  # of taxing districts.



# Calculation for Residential Properties

**Step 5: Find the average tax liability on an average homestead.**

- Step 3 \* Step 4 = average tax liability
- Apply any applicable property tax credits to the average tax liability:
  - PTRC.
  - Any local homestead credits imposed in the jurisdiction.
  - Circuit breaker credits. (1/2/3% and Over 65 CB)



# Calculation for Residential Properties

**Step 6: Find the unit's share of the average tax liability.**

- $\frac{\text{Certified tax rate for unit's funds}}{\text{Step 4}} * \text{Step 5}$
- For an extension of an operating levy or school safety levy, the existing fund tax rate for the Department Fund Number 0022 or 0025, as applicable, should be excluded from the school corporation's certified tax rate. This takes into account the fact that the existing operating levy or school safety levy will expire before the new tax rate will be imposed.



# Calculation for Residential Properties

## Step 7: Estimated referendum tax rate.

- Operating & School Safety: given by school corporation.
- Controlled projects, use this formula:

$$\frac{\text{Est. maximum payment} - \text{Est. misc. revenue}}{\text{CNAV} + \text{TIF AV}} * 100 = \text{Est. tax rate}$$



# Calculation for Residential Properties

## Step 7, cont'd

- Est. maximum payment: The maximum bond or lease rental payment. This will be shown in the proposed amortization schedule.
- Est. misc. revenue: Estimated non-property tax revenue that a local unit may use to make payments on the bond or lease.
- CNAV+TIF AV: Net assessed value. Based on Ind. Code § 6-1.1-20-12(b), this will be the certified net assessed value ("CNAV") plus the incremental assessed value in an allocation area that would otherwise be allocated to a redevelopment commission ("TIF AV").
- The number 100, because a tax rate is imposed on each \$100 of assessed value.



# Calculation for Residential Properties

**Step 8: Find the estimated tax liability due to a referendum.**

- Multiply est. referendum tax rate by average net AV/\$100.
- Step 7 \* Step 3.

**Step 9: Estimated average percent increase.**

- Step 8 ÷ Step 6.
- Express as a percentage.



# Calculation for Business Properties

- The formula is similar to the calculation for residential/homestead properties.
- Key differences:
  - Do not apply homestead standard & supplemental deductions.
  - Do not apply the 1% or 2% circuit breaker cap.
  - To find Step 5:
    - $\frac{\text{Certified tax rate for unit's funds}}{\text{Step 3}} * \text{Step 4}$



# Question

- *Q: Can we use a weighted average or median value to calculate the estimated percent tax increase?*
- A: Because HEA 1271 does not define what “average” means or details the manner in which to find the average, the Department has to rely on the plain and ordinary meaning of the term. While weighted average would perhaps be a better measurement in some or most cases (assuming the components are not weighted equally), HEA 1271 did not use the term “weighted average” or provide the formula for how to determine a weighted average in the statute. This indicates that the General Assembly deliberately intended not to base the calculation on a “weighted average” but rather just “average,” which in the plain and ordinary sense of the word means the arithmetic mean.





# Question

- (Cont'd)
- The term “median” is sometimes said to be a kind of average. “Average” is itself an ambiguous as a technical term. It is not clear that the General Assembly intended the term “average” to have a technical meaning. Therefore, the Department must default to the plain, ordinary, and usual meaning of the word, which is the arithmetic mean.
- The “median” measures data in a way that is different from how average (as commonly understood) measures data. Again, because the General Assembly inserted the word “average” in the formula, it intended that an average, and no other value, be used. Therefore, the median value of a dataset is not to be used in determining the estimated average percent increase for inclusion in the form template.



# Revenue Spending Plans



# Revenue Spending Plan – SEA 55

- Senate Enrolled Act 55
  - SEC. 6-7 – Effective July 1, 2021
  - Adds requirements for school corporations that both seek a property tax referendum and impose property taxes due to a referendum.
  - Requires a school corporation to develop a revenue spending plan for:
    - Operating Referendum
    - School Safety Referendum



# Revenue Spending Plan – SEA 55

- What must be included in revenue spending plan?
  - 1) An estimate of the amount of annual revenue expected to be collected.
  - 2) The specific purpose for which revenue collected from levy will be used.
  - 3) An estimate of the annual dollar amounts that will be expended for each purpose.



# Revenue Spending Plan – SEA 55

- Adds Ind. Code § 6-1.1-17-3(f).
- The school board must submit the following to the Department at least ten (10) days before its budget hearing:
  - Purposes specified in the public question, or any revenue spending plans for:
    - Debt service on bonds or lease rentals;
    - Operating referendum tax levy; or
    - School safety referendum tax levy.
  - Debt service levy fund, operating referendum tax levy fund, or school safety referendum tax levy fund.
- SEC. 2 – Effective July 1, 2021.



# Revenue Spending Plan – SEA 55

- It is not clear whether the plan can be amended or what the process is to amend it.
- SEA 55 does not require the Department to prescribe the form of the plan.



# Controlled Projects – SEA 55

- SEC. 3 – Effective July 1, 2021
- For Controlled Projects, a preliminary determination must include a statement of:
  - The maximum annual debt service for the controlled project for each year in which the debt service will be paid.
  - The schedule of the estimated annual tax levy and rate over a ten (10) year period.
- This statement must factor in changes that will occur to the debt service levy and tax rate on account of any outstanding bonds or leases that will mature or terminate during the period.



# Question

- *Q: Do we have to do a revenue spending plan for controlled projects?*
- A: Ind. Code § 6-1.1-17-3(f) references Ind. Code § 6-1.1-20-13, which is believed to have been intended to be added by SEA 55. Because it is cited along with Ind. Code § 20-46-1-8 and Ind. Code § 20-46-9-6, which were amended by SEA 55 to include the revenue spending plans for operating and safety referenda, respectively, it stands to reason that Ind. Code § 6-1.1-20-13 was meant to be the revenue spending plan statute for controlled projects. However, that statute was never added by SEA 55 and does not appear in the 2021 Indiana Code.





# Other Considerations



# Other Considerations

As school corporations consider a referendum, there are three tangential topics that can be discussed to present a larger picture of the property tax cycle that relates to referendum funds:

- Referenda and Budget Adoption
- Referenda and the Tax Base
- Referenda and the Tax Bill



# Referenda and Budget Adoption

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# Referenda and Budget Adoption

- In 2020, there were 22 referenda on the ballot.
- For referenda in the Spring, the school corporation knows whether or not they adopt a budget, levy, and rate for the fund(s). For Fall referenda, there is an additional requirement.

Referenda Type	Spring 2020	Fall 2020
Operating	12.00	4.00
Construction	5.00	0.00
School Safety	1.00	0.00



# Referenda and Budget Adoption

- There are several key dates that all units must keep in mind during the budget cycle.
- Department Budget Calendar:  
<https://www.in.gov/dlgf/files/210128-Van-Dorp-Memo-2021-Budget-Calendar.pdf>
- If a unit fails to act within these statutory dates, it will invalidate the budget adoption.



# Referenda and Budget Adoption

- For units with a Fall referendum, taxpayers will be voting on the referendum after the ensuing year's budget has been advertised and adopted.

Date	Description
Oct. 12	Last day to post notice to taxpayers of proposed 2022 budgets and net tax levies and public hearing (Budget Form 3) to Gateway.
Oct. 22	Last possible day for taxing units to hold a public hearing on their 2022 budgets. Public hearing must be held at least ten days before budget is adopted.
Nov. 1	Deadline for all taxing units to adopt 2022 budgets, tax rates, and tax levies.
Nov. 2	<b>**Election Day**</b>
Nov. 8	Last day for units to submit their 2022 budgets, tax rates, and tax levies to the Department through Gateway as prescribed by the Department.



# Referenda and Budget Adoption

- Units with a referendum on the ballot each fall must advertise and adopt the budget, levy, and rate for the referendum before the taxpayers vote on the referendum.
  - A. If unit adopts a budget for a referendum, but the referendum fails, then the Department will not certify the budget for that fund.
  - B. If a unit fails to adopt a budget, and the referendum passes, then the Department will not be able to certify the budget for the fund.



# Referenda and the Tax Base





# Referenda and the Tax Base

- As of June 2021, there are 110 active referenda and there are 1041 Tax Incremental Finance (“TIF”) districts.
- Units considering a referendum in a geographic area with a TIF district should know how the TIF district will interact with the new rate.
- The overlap between referendum rates and TIF districts and a discussion of Ind. Code § 6-1.1-20-12 is worthy of an examination during this presentation.



# Referenda and the Tax Base

- Why is the Certified AV (the school tax base) different for the Operation fund and the Referendum fund?

STATE OF INDIANA DEPARTMENT OF LOCAL GOVERNMENT FINANCE 2021 Budget Order					
County: 02 Allen Unit: 0225 NORTHWEST ALLEN COUNTY SCHOOL CORPORATION					
<u>Fund</u>	<u>Fund Name</u>	<u>Certified Budget</u>	<u>Certified AV</u>	<u>Certified Levy</u>	<u>Certified Rate</u>
0180	DEBT SERVICE	\$15,332,370	\$2,664,905,770	\$14,353,182	\$0.5386
Budget has been reduced and approved for the displayed amt. Rate reduced due to increased assessed valuation.					
0287	REFERENDUM DEBT FUND - EXEMPT CAPITAL - POST 2009	\$2,649,000	\$2,707,239,980	\$2,490,661	\$0.0920
Budget approved for displayed amount. Rate reduced due to reduction of operating balance according to IC 6-1.1-7-22.					
3101	EDUCATION	\$48,830,709	\$2,664,905,770	\$0	\$0.0000
Budget approved for displayed amount.					
3300	OPERATIONS	\$16,971,217	\$2,664,905,770	\$10,675,613	\$0.4006
Budget approved for displayed amount. Rate reduced due to increased assessed valuation.					



# Referenda and the Tax Base

- Question: Why is the Certified AV (the school tax base) different for the Operation fund and the Referendum fund?
- To answer this question, we have to dig deeper into the what the CNAV represents and what is and what is not included in the value.



# Referenda and the Tax Base

- Our sample school has a tax base that covers the taxing districts above.

NORTHWEST ALLEN COUNTY SCHOOL CORPORATION has property tax levy authority in the following districts:

Tax Districts
049 - LAKE
087 - HUNTERTOWN EEL RIVER
058 - HUNTERTOWN
091 - FW PERRY
057 - PERRY
044 - EEL RIVER



# Referenda and the Tax Base

- When the county auditor certified the AV, they certify a tax base for each fund. Both funds above are tied to the same taxing districts.
- Taxing Districts 044, 049, 087, and 091 have the same AV for both funds, but 057 and 058 have a different values.

0180	DEBT SERVICE	044	Eel River	\$190,047,337
		049	Lake	\$161,781,502
		057	Perry	\$1,336,984,452
		058	Huntertown	\$376,473,820
		087	Huntertown Eel River	\$49,665,366
		091	FW Perry	\$549,953,293
		<b>0180 - TOTAL NET AV</b>		<b>\$2,664,905,770</b>
0287	REFERENDUM DEBT FUND - EXEMPT CAPITAL - POST 2009	044	Eel River	\$190,047,337
		049	Lake	\$161,781,502
		057	Perry	\$1,376,564,852
		058	Huntertown	\$379,227,630
		087	Huntertown Eel River	\$49,665,366
		091	FW Perry	\$549,953,293
		<b>0287 - TOTAL NET AV</b>		<b>\$2,707,239,980</b>



# Referenda and the Tax Base

- If we drill down further, we can examine how the CNAV is calculated for each taxing district.
- $CNAV = Real\ Property\ (RP) + Personal\ Property\ (PP) - AV\ TIF\ Real - AV\ TIF\ PP - AV\ Withholding$

Tax District Code	RP Net AV 1%	RP Net AV 2%	RP Net AV 3%	Real Est Net AV	Local PP Net AV	State PP Net AV	PP Net AV	AV TIF Real Est	AV TIF PP	AV Withholding	Adjusted Net AV
044	118,852,540	31,844,740	28,782,850	179,480,130	5,174,000	6,059,770	11,233,770	-	-	666,563	190,047,337
049	85,799,619	38,989,732	17,083,350	141,872,701	7,800,930	12,838,220	20,639,150	-	-	730,349	161,781,502
057	888,408,694	237,139,048	210,407,593	1,335,955,335	32,078,070	17,534,090	49,612,160	39,580,400	-	9,002,643	1,336,984,452
058	289,923,485	40,863,380	36,900,178	367,687,043	11,638,420	2,766,280	14,404,700	2,753,810	-	2,864,113	376,473,820
087	45,995,225	3,588,500	450,800	50,034,525	146,110	36,870	182,980	-	-	552,139	49,665,366
091	422,481,765	44,002,840	70,420,026	536,904,631	11,488,270	3,766,960	15,255,230	-	-	2,206,568	549,953,293
								42,334,210			2,664,905,770



# Referenda and the Tax Base

- For the Debt, Education, and Operations funds, the CNAV equals the CNAVs of the corresponding taxing districts.

Tax District Code	RP Net AV 1%	RP Net AV 2%	RP Net AV 3%	Real Est Net AV	Local PP Net AV	State PP Net AV	PP Net AV	AV TIF Real Est	AV TIF PP	AV Withholding	Adjusted Net AV
044	118,852,540	31,844,740	28,782,850	179,480,130	5,174,000	6,059,770	11,233,770	-	-	666,563	190,047,337
049	85,799,619	38,989,732	17,083,350	141,872,701	7,800,930	12,838,220	20,639,150	-	-	730,349	161,781,502
057	888,408,694	237,139,048	210,407,593	1,335,955,335	32,078,070	17,534,090	49,612,160	39,580,400	-	9,002,643	1,336,984,452
058	289,923,485	40,863,380	36,900,178	367,687,043	11,638,420	2,766,280	14,404,700	2,753,810	-	2,864,113	376,473,820
087	45,995,225	3,588,500	450,800	50,034,525	146,110	36,870	182,980	-	-	552,139	49,665,366
091	422,481,765	44,002,840	70,420,026	536,904,631	11,488,270	3,766,960	15,255,230	-	-	2,206,568	549,953,293
								42,334,210			2,664,905,770





# Referenda and the Tax Base

- For the referendum fund, the value of the TIF Increment is included within the tax base.
- There is increment in taxing districts 057 and 058.

Tax District Code	RP Net AV 1%	RP Net AV 2%	RP Net AV 3%	Real Est Net AV	Local PP Net AV	State PP Net AV	PP Net AV	AV TIF Real Est	AV TIF PP	AV Withholding	Adjusted Net AV
044	118,852,540	31,844,740	28,782,850	179,480,130	5,174,000	6,059,770	11,233,770	-	-	666,563	190,047,337
049	85,799,619	38,989,732	17,083,350	141,872,701	7,800,930	12,838,220	20,639,150	-	-	730,349	161,781,502
057	888,408,694	237,139,048	210,407,593	1,335,955,335	32,078,070	17,534,090	49,612,160	39,580,400	-	9,002,643	1,336,984,452
058	289,923,485	40,863,380	36,900,178	367,687,043	11,638,420	2,766,280	14,404,700	2,753,810	-	2,864,113	376,473,820
087	45,995,225	3,588,500	450,800	50,034,525	146,110	36,870	182,980	-	-	552,139	49,665,366
091	422,481,765	44,002,840	70,420,026	536,904,631	11,488,270	3,766,960	15,255,230	-	-	2,206,568	549,953,293
								42,334,210			2,664,905,770





# Referenda and the Tax Base

- When the County calculates the property tax distribution for the TIF district, the amount of the tax rate tied to the referendum is redirected from the TIF to the unit.

## Tax District: 058 - Huntertown

TIF District Code	TIF District Name	TIF AV - Real Property	TIF AV - Personal Property	TIF AV - Total	Tax District Rate	Post-2009 Exempt Referendum Operating Fund Rate (0022)	Post-2009 Exempt Referendum Capital Fund Rate (0287)	Exempt Referendum Safety Fund Rate (0025)	Post-2009 Exempt #2 Referendum Operating Fund Rate (0023)	Fire District Fund Rate	Adjusted Tax District Rate	Post-2009 Exempt Referendum Operating Fund Levy (0022)	Post-2009 Exempt Referendum Capital Fund Levy (0287)	Exempt Referendum Safety Fund Levy (0025)	Post-2009 Exempt #2 Referendum Operating Fund Levy (0023)	Fire District Fund Levy	Levy Captured by TIF District	Gross Tax Apportioned to TIF District
T02075	Huntertown TU058	\$2,753,810		\$2,753,810	1.8529		0.0920				1.7609		\$2,534				\$48,492	\$51,025
Total:		\$2,753,810	\$0	\$2,753,810								\$0	\$2,534	\$0	\$0	\$0	\$48,492	\$51,025



# Referenda and the Tax Base

- School Corporations considering referenda can review their CNAVs to see if there are TIF districts in their tax base.
- CNAVs, are calculated locally, but submitted to the Department. The Department makes the CNAVs available to all units through the Gateway application.
- CNAVs are due on August 1.
- The tax rate increase from a successful referenda will not generate any additional funds for the TIF district.



# Referenda and the Tax Bill



# Referenda and the Tax Bill

- Earlier this year, the Department did a webinar on Circuit Breaker.
- The webinar examined where the Circuit Breaker originated and why it is considered during the budget cycle.
- Circuit Breaker Slides:  
<https://www.in.gov/dlgf/files/210421-Van-Dorp-Presentation-Circuit-Breaker.ppsx>
- Circuit Breaker Webinar:  
<https://youtu.be/W6EEQVmAkWk>



# Tax Bill 101 - Overview

- In 2021, there will be 4M tax bills created and taxpayers will pay \$8.6B in property taxes to local government.
- Additional information about the property taxes:
  1. Property Tax Cycle: <https://www.in.gov/dlgf/2516.htm>
  2. Tax Bill 101: <https://www.in.gov/dlgf/8527.htm>
  3. Tax Bill Glossary: <https://www.in.gov/dlgf/8081.htm>



# Tax Bill 101 – Circuit Breaker Cap/Credit

- **Article 10 of the Indiana Constitution** states the General Assembly shall limit a taxpayer's property tax liability.
- The circuit breaker, or property tax caps, represent the maximum tax bill that an individual can pay.
- The circuit breaker credit, an amount applied to a qualifying tax bill that prevents a taxpayer from exceeding the property tax cap.



# Tax Bill 101 – Circuit Breaker Calculation

- The amount of the credit is the amount by which the person's property tax liability attributable to the person's:
  - (1) homestead exceeds one percent (1%);
  - (2) residential property exceeds two percent (2%);
  - (3) long term care property exceeds two percent (2%);
  - (4) agricultural land exceeds two percent (2%);
  - (5) nonresidential real property exceeds three percent (3%);
  - (6) personal property exceeds three percent (3%);
- of the gross assessed value of the property that is the basis for determination of property taxes for that calendar year.
- (Ind. Code § 6-1.1-20.6-7.5)



# Tax Bill 101 – CB Cap Calculation

- In order to calculate the property tax cap, the gross assessed value is multiplied by 1%, 2%, or 3% based on property type. The net AV, tax rate, and gross liability are not factored into the calculation of the cap, but they will factor into the calculation of the credit.

	Homestead Property (1% Cap)	Agricultural Land (2%)	Non Residential Real Estate (3%)
Gross AV	100,000	100,000	100,000
Net AV	Not Needed for the Calculation	Not Needed for the Calculation	Not Needed for the Calculation
Tax Rate	Not Needed for the Calculation	Not Needed for the Calculation	Not Needed for the Calculation
Gross Liability	Not Needed for the Calculation	Not Needed for the Calculation	Not Needed for the Calculation
Property Tax Cap	$\$1,000 = 100,000 * .01$	$\$2,000 = 100,000 * .02$	$\$3,000 = 100,000 * .03$





# Tax Bill 101 – 1% CB Credit Calculation

- In this example, three properties with an identical gross AV and net AVs have different CB profiles. As the tax rate increases, the taxpayer's CB credit increases to ensure that the taxpayer does not pay more than the statutory maximum.

	Homestead Property (1% Cap) Example 1	Homestead Property (1% Cap) Example 2	Homestead Property (1% Cap) Example 3
Gross AV	100,000	100,000	100,000
Net AV	32,750	32,750	32,750
<b>Tax Rate</b>	<b>1.5000</b>	<b>3.5000</b>	<b>4.5000</b>
Gross Liability	\$491	\$1,146	\$1,474
Property Tax Cap	\$1,000	\$1,000	\$1,000
CB Credit	0	146	474



# Tax Bill 101 – 2% CB Credit Calculation

- In this example, three properties with an identical gross AV and net AVs have different CB profiles. As the tax rate increases, the taxpayer's CB credit increases to ensure that the taxpayer does not pay more than the statutory maximum.

	Agricultural Land (2%) Example 4	Agricultural Land (2%) Example 5	Agricultural Land (2%) Example 6
Gross AV	100,000	100,000	100,000
Net AV	100,000	100,000	100,000
<b>Tax Rate</b>	<b>1.5000</b>	<b>3.5000</b>	<b>4.5000</b>
Gross Liability	\$1,500	\$3,500	\$4,500
Property Tax Cap	\$2,000	\$2,000	\$2,000
Tax Credit	0	1,500	2,500



# Tax Bill 101 – 3% CB Credit Calculation

- In this example, three properties with an identical gross AV and net AVs have different CB profiles. As the tax rate increases, the taxpayer's CB credit increases to ensure that the taxpayer does not pay more than the statutory maximum.

	Non Residential Real Estate (3%) Example 7	Non Residential Real Estate (3%) Example 8	Non Residential Real Estate (3%) Example 9
Gross AV	100,000	100,000	100,000
Net AV	100,000	100,000	100,000
<b>Tax Rate</b>	<b>1.5000</b>	<b>3.5000</b>	<b>4.5000</b>
Gross Liability	\$1,500	\$3,500	\$4,500
Property Tax Cap	3,000	3,000	3,000
Tax Credit	0	500	1,500



## FAQ #3 – CB Cap Calculation

- In this example, the tax rate increased without a voter approved referendum. The increase in the tax rate increased the CB credit for this taxpayer. Although the rate increased, the taxpayer will only pay \$1,000.

	Homestead Property (1% Cap) Year 1	Homestead Property (1% Cap) Year 2	Notes
Gross AV	100,000	100,000	Same AV in both years.
Net AV	32,750	32,750	Same AV in both years.
<b>Tax Rate</b>	<b>4.5000</b>	<b>4.7500</b>	<b>Rate increase of .25.</b>
Gross Liability	\$1,474	\$1,556	Gross Liability increased.
<b>Property Tax Cap</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b><math>100,000 * .01 = \\$1,000</math></b>
CB Credit	474	556	CB Loss Increased by \$82.



## FAQ #3 – CB Cap Calculation

- In this example, the tax rate increased due to voter approved referendum. This time, the taxpayer's tax rate and property tax cap both increased. The taxpayer's tax bill will increase from \$1,000 to \$1,082.

	Homestead Property (1% Cap) Base Year	Homestead Property (1% Cap) Year 2	Notes
Gross AV	100,000	100,000	Same AV in both years.
Net AV	32,750	32,750	Same AV in both years.
<b>Tax Rate</b>	<b>4.5000</b>	<b>4.7500</b>	<b>Rate increase due to Voter Approved Referendum of .25.</b>
Gross Liability	\$1,474	\$1,556	Gross Liability increased.
<b>Property Tax Cap</b>	<b>\$1,000</b>	<b>\$1,082</b>	<b><math>(.25 * 32,750) / 100 = \\$82</math> <math>100,000 * .01 = \\$1,000</math></b>
CB Credit	474	474	No change in the CB loss.



# Referenda and the Tax Bill

- Not all tax rate increases will have the same impact on tax bills.
- Successful referenda will change the property tax cap calculation.
- Taxpayers below their property tax cap will see an increase to their tax bills.
- Taxpayers at their property tax cap will see an increase to their tax bills.



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