

Overhaul of Local Income Tax (“LIT”) System for Collections
Starting in 2027, Senate Enrolled Act (“SEA”) 1

Table of Contents

I. Procedures to Adopt New LIT Rates.....	1
A. Expiration of Expenditure Rate on December 31, 2027; Continuation of Expenditure Rate After December 31, 2027.....	1
B. Annual Readoption of Expenditure Rate	1
C. New Effective Date Timetable.....	1
(1) For Counties	1
a. Timetable #1: County Services, Fire Protection and EMS, Allocation and Distribution of Taxes.....	2
b. Timetable #2: Nonmunicipal Civil Taxing Units and Municipal Units ..	2
(2) For Municipalities	2
D. Duration of Ordinance	3
E. Frequency of Tax Rate Adoptions	3
F. Adopting Body; Elimination of LIT Councils	
(1) Adopting Body After June 30, 2027	3
(2) Elimination of LIT Councils After June 30, 2027	3
II. Reconfiguration of the Expenditure Rate.....	5
A. Summary	5
(1) Repeal of Existing Expenditure Rate Categories	5
(2) Maximum Expenditure Rate	5
a. County LIT Rate	5
b. Municipal LIT Rate.....	6
B. County LIT Rate – County-Specific Uses.....	6

(1) County General Purpose LIT Rate	6
a. Maximum Allowable Rate	6
b. Purposes	6
(2) Fire and EMS LIT Rate	6
a. Maximum Allowable Rate	6
b. Purposes	7
c. Distribution Formula.....	7
(3) Nonmunicipal LIT Rate	8
a. “Nonmunicipal Civil Taxing Unit” Defined	8
b. Tax Rate	9
c. Distributions to Nonmunicipal Civil Taxing Units	9
1. In general	9
2. Eligibility for distribution; action by nonmunicipal civil taxing unit	9
3. County discretion to reserve funds if one (1) or more nonmunicipal civil taxing units do not request a distribution.....	10
(4) Municipal LIT Rate (adopted by County Council)	10
a. Maximum Allowable Rate	10
b. Purposes	10
c. Distributions to Municipal Civil Taxing Units	11
1. In general	11
2. Eligibility for distribution; action by municipal civil taxing unit	11
3. Retention of revenue by County Council.....	12
C. Municipal LIT Rate (adopted by municipal fiscal body).....	12

(1) Eligibility; Population Parameters	12
(2) Adopting Body	14
(3) Maximum Tax Rate.....	14
(4) Imposition of the Tax	14
(5) Distribution.....	14
(6) Duration.....	14
III. Collection and Distribution Procedures	16
A. State and LIT Holding Account	16
B. Rate Changes.....	17
C. Elimination of Distribution Estimates.....	17
D. State Budget Agency Certified Distributions.....	17
E. Adjustments to the Certified Distributions.....	18
F. Distribution to Taxing Units.....	18
(1) In general.....	18
(2) Distributions to Taxing Units in Lake County	19
G. Repeal of Supplemental Distribution.....	19
H. Distributions to the Northwest Indiana Regional Development Authority.....	20
(1) Lake County	20
(2) Porter County	20
(3) LaPorte County	20

I. Procedures to Adopt New LIT Rates

A. Expiration of Expenditure Rate on December 31, 2027; Continuation of Expenditure Rate After December 31, 2027

An expenditure tax rate imposed under Ind. Code § 6-3.6-6, as in effect prior to [SEA 1](#), continues in effect until December 31, 2027. An expenditure rate can only be continued after that date if the adopting body (i.e., the county council; see A.4, “Adopting Body; Elimination of LIT Councils,” below) adopts an ordinance on or before October 1, 2027.¹

Should the adopting body fail to adopt an ordinance to continue the expenditure rate after December 31, 2027, the adopting body can adopt an ordinance to impose, renew, or modify an expenditure rate **beginning January 1, 2029, or any year thereafter**. In other words, if the adopting body does not adopt an ordinance to continue the expenditure rate on or before October 1, 2027, the adopting body must wait at least one (1) year before adopting a new expenditure rate, subject to the new timetable in which such ordinances are effective (see C, “New Effective Date Timetable,” below).

For more information on changes to the expenditure rate, see “Reconfiguration of the Expenditure Rate,” on Page 5.

B. Annual Readoption of Expenditure Rate

For counties that adopt their own LIT rates, beginning after December 31, 2030, for distributions beginning in 2032, a tax rate will expire at the end of each calendar year. The county wishing to continue, increase, or decrease a tax rate for the following year must pass an ordinance to readopt the tax rate in accordance with Ind. Code § 6-3.6-3-3.²

For municipalities that adopt their own LIT rates, beginning after December 31, 2030, for distributions beginning in 2032, a tax rate will expire at the end of each calendar year. The municipality wishing to continue, increase, or decrease a tax rate for the following year must pass an ordinance to readopt the tax rate in accordance with Ind. Code § 6-3.6-3-3.³

C. New Effective Date Timetable

(1) For Counties:

There are two (2) timetables to consider. The first is specific to (1) tax rates imposed for county services (Ind. Code § 6-3.6-6-2(b)(1)) and fire and EMS (Ind. Code § 6-3.6-6-2(b)(2)); and (2) distribution or allocation of taxes. The second is specific to tax rates imposed to distribute to nonmunicipal civil taxing units (Ind. Code § 6-3.6-6-2(b)(3)) and municipal units (Ind. Code § 6-3.6-6-2(b)(4)).⁴

¹ Ind. Code § 6-3.6-3-4(c).

² Ind. Code § 6-3.6-6-2(e).

³ Ind. Code § 6-3.6-6-22(e).

⁴ Ind. Code § 6-3.6-3-3.

a. Timetable #1: County Services, Fire Protection and EMS, Allocation and Distribution of Taxes

When a county council, as adopting body for the county, adopts, increases, decreases, or rescinds a tax rate, or affecting the allocation and distribution of taxes, the ordinance reflecting such action takes effect as follows:

(1) An ordinance adopted on or before October 1 takes effect on **January 1** of the immediately succeeding calendar year.⁵

(2) An ordinance adopted after October 1 but on or before December 31 of the same calendar year takes effect on **January 1** of the second succeeding calendar year.⁶

For example, if the ordinance is adopted on **September 1, 2027**, then it will take effect on **January 1, 2028**.

But if the ordinance is adopted on **November 1, 2027**, then it will take effect on **January 1, 2029**.

b. Timetable #2: Nonmunicipal Civil Taxing Units and Municipal Units

An ordinance adopted to impose a tax rate to distribute to nonmunicipal civil taxing units and municipal units must be adopted **on or before October 1**. The law does not indicate what happens if an ordinance is adopted after October 1.⁷

(2) For Municipalities:

For a municipality that increases, decreases, or rescinds a tax rate under Ind. Code § 6-3.6-6-22, the ordinance reflecting such action takes effect as follows:

(1) An ordinance adopted on or before October 1 takes effect on **January 1** of the immediately succeeding calendar year.⁸

(2) An ordinance adopted after October 1 but on or before December 31 of the same calendar year takes effect on **January 1** of the second succeeding calendar year.⁹

For example, if the ordinance is adopted on **September 1, 2027**, then it will take effect on **January 1, 2028**.

⁵ Ind. Code § 6-3.6-3-3(b)(1) & (d)(1).

⁶ Ind. Code § 6-3.6-3-3(b)(2) & (d)(2).

⁷ See Ind. Code § 6-3.6-3-3.

⁸ Ind. Code § 6-3.6-3-3.3(b).

⁹ Ind. Code § 6-3.6-3-3.3(c).

But if the ordinance is adopted on **November 1, 2027**, then it will take effect on **January 1, 2029**.

D. Duration of Ordinance

A tax rate remains in effect until the effective date of an ordinance that increases, decreases, or rescinds that tax rate, unless the tax rate has an expiration date.¹⁰

For municipalities that adopt their own LIT rates, beginning after December 31, 2030, for distributions beginning in 2032, a tax rate will expire at the end of each calendar year. The municipality wishing to continue, increase, or decrease a tax rate for the following year must pass an ordinance to readopt the tax rate in accordance with Ind. Code § 6-3.6-3-3.¹¹

For more information on the municipal LIT rate, see “Municipal LIT Rate (adopted by municipal fiscal body),” on Page 12.

E. Frequency of Tax Rate Adoptions

A tax rate may not be changed more than once each year.¹²

F. Adopting Body; Elimination of LIT Councils

(1) Adopting Body After June 30, 2027

The adopting body for a county is the fiscal body.¹³

For purposes of a municipal LIT adopted under Ind. Code § 6-3.6-6-22, the adopting body of the municipality is the fiscal body of the municipality.¹⁴

(2) Elimination of LIT Councils After June 30, 2027

Several sections of [SEA 1](#) amend several provisions of Ind. Code § 6-3.6 respecting the abolition of LIT councils as an adopting body of LIT and the county option business personal property tax exemption under Ind. Code § 6-1.1-10.3.¹⁵

This includes the repeal of several statutes in Ind. Code § 6-3.6-3 regarding any procedure related to LIT councils.

Please note that LIT councils are also the adopting body on other tax matters. However, since the Department does not have any responsibilities or oversight pertaining to those tax matters, such matters are omitted from this memorandum.

¹⁰ Ind. Code § 6-3.6-3-4(a).

¹¹ Ind. Code § 6-3.6-6-22(e).

¹² Ind. Code § 6-3.6-3-4(b).

¹³ Ind. Code § 6-3.6-3-1(a).

¹⁴ Ind. Code § 6-3.6-3-1(b).

¹⁵ See Ind. Code § 6-3.6-3-1, effective July 1, 2027.

[SEA 1](#), Noncode Section 247, effective June 30, 2027, provides for the following:

- On July 1, 2027, all powers, duties, and authorities of a LIT council are transferred to the fiscal body of the county where it is located.
- An ordinance adopted by a LIT council under Ind. Code § 6-3.6 before July 1, 2027, continues in effect after June 30, 2027, and is valid and binding until it is rescinded or otherwise amended by the county fiscal body.
- On or before July 1, 2027, all records and property under the control of the LIT council shall be transferred to the fiscal body of the county where it is located.
- After June 30, 2027, a reference to the LIT council in any statute, rule, or other document is considered a reference to the county fiscal body.

II. Reconfiguration of Expenditure Rate

A. Summary

(1) Repeal of Existing Expenditure Rate Categories

The following expenditure rate categories are repealed, effective January 1, 2028:

- PSAP¹⁶
- Acute Care Hospital¹⁷
- Correctional and Rehabilitation Facilities¹⁸
- EMS¹⁹
- Courtroom Staffing Costs²⁰
- “Additional Revenue” allocations²¹
 - Public Safety
 - Economic Development
 - Certified Shares
- Levy freeze²²

(2) Maximum Expenditure Rate – [SEA 1](#), Section 118, Ind. Code § 6-3.6-6-2

a. County LIT Rate

A county may adopt a rate of up to 2.9%, further broken up into the following four (4) components with their own maximum allowable rates²³:

1. County general purpose revenue, not to exceed 1.2%.
2. Fire protection and EMS revenue, not to exceed 0.4%.
3. Nonmunicipal unit distribution, not to exceed 0.2%.
4. Municipal unit distribution, not to exceed 1.2%.

The sum of the county general purpose revenue, fire/EMS, and nonmunicipal unit component rates cannot exceed 1.7%.²⁴ The law does not state whether the rates must be imposed in certain increments; for example, in increments of 0.01% or a different denomination.

¹⁶ Ind. Code § 6-3.6-6-2.5.

¹⁷ Ind. Code § 6-3.6-6-2.6.

¹⁸ Ind. Code § 6-3.6-6-2.7.

¹⁹ Ind. Code § 6-3.6-6-2.8.

²⁰ Ind. Code § 6-3.6-6-2.9.

²¹ Ind. Code § 6-3.6-6-4.

²² Ind. Code § 6-3.6-11-1.

²³ [SEA 1](#), Section 118, Ind. Code § 6-3.6-6-2(b).

²⁴ [SEA 1](#), Section 118, Ind. Code § 6-3.6-6-2(c).

The municipal unit distribution component cannot be imposed in a municipality that adopts a municipal LIT under Ind. Code § 6-3.6-6-22.²⁵

b. Municipal LIT Rate

A municipality eligible to adopt a municipal LIT under Ind. Code § 6-3.6-6-22 may adopt a rate that does not exceed 1.2%.²⁶ This rate will only apply to local taxpayers within the territory of the municipality.²⁷ This rate is also in addition to a LIT imposed by the county in which the municipality is located.²⁸ Revenue collected from this rate shall be treated as general purpose revenue for the municipality and distributed to the municipality's fiscal officer before July 1 of the next calendar year.²⁹

B. County LIT Rate – County-Specific Uses

(1) County General Purpose LIT Rate

a. Maximum Allowable Rate

Not to exceed 1.2%. However, the sum of the county general purpose rate, the fire and EMS rate, and the nonmunicipal LIT rate cannot exceed 1.7%.³⁰

b. Purposes

Money collected from this rate may be used for any of the purposes of the county, including for

1. Public safety, including funding for a PSAP.
2. Economic development purposes described in IC 6-3.6-10.
3. Acute care hospitals.
4. Correctional facilities and rehabilitation facilities.
5. County staff expenses of the state judicial system.
6. Homestead property tax credits to fund replacement of the county's property tax levy.³¹

(2) Fire and EMS LIT Rate

a. Maximum Allowable Rate

Not to exceed 0.4%. However, the sum of the county general purpose rate, the fire and EMS rate, and the nonmunicipal LIT rate cannot exceed 1.7%.³²

²⁵ [SEA 1](#), Section 118, Ind. Code § 6-3.6-6-2(d).

²⁶ Ind. Code § 6-3.6-6-22(b).

²⁷ Ind. Code § 6-3.6-6-22(c)(1).

²⁸ Ind. Code § 6-3.6-6-22(c)(2).

²⁹ Ind. Code § 6-3.6-6-22(d).

³⁰ Ind. Code § 6-3.6-6-2(b)(1).

³¹ Ind. Code § 6-3.6-6-4.

³² Ind. Code § 6-3.6-6-2(b)(2).

b. Purposes

Money collected from this rate shall be distributed by the county to each fire protection district, fire protection territory, and municipal fire department located within the county. The county may distribute revenue to township fire departments and volunteer fire departments.³³

c. Distribution formula³⁴

STEP ONE: For each provider of fire protection and EMS located within the county that is eligible to receive revenue under Ind. Code § 6-3.6-6-4.3, determine the population living within the service boundaries of the provider using the most recent federal decennial census.

In other words, the county will have to determine three (3) things for this step:

1. Each fire protection and EMS provider in the county.
2. The service boundaries of each provider. This may be fairly easy for fire protection districts and fire protection territories, which are ascertainable in their establishment documents. Likewise, township fire departments will have their service boundaries defined by the township corporate boundaries, excluding (if applicable) the corporate boundaries of municipalities. This may not be as easy for volunteer fire departments, which are private entities that service local governments under contract.
3. The population of the area served by each provider. This must be based on the most recent federal decennial census. For 2028 collections, for example, this will be the 2020 Census. As with service boundaries, this may be easier to ascertain for township fire departments, fire protection districts, and fire protection territories. This may not be as easy for volunteer fire departments.

STEP TWO: For each provider of fire protection and EMS located within the county that is eligible to receive revenue under Ind. Code § 6-3.6-6-4.3, determine the number of square miles within the service boundaries of the provider.

STEP THREE: For each provider of fire protection and EMS located within the county that is eligible to receive revenue under Ind. Code § 6-3.6-6-4.3, determine the product of STEP TWO multiplied by 20.

$$\text{Step Two} \times 20 = \text{Step Three result}$$

STEP FOUR: For each provider of fire protection and EMS located within the county that is eligible to receive revenue under Ind. Code § 6-3.6-6-4.3, determine the sum of STEP ONE plus STEP THREE.

³³ Ind. Code § 6-3.6-6-4.3(a).

³⁴ Ind. Code § 6-3.6-6-4.3(b).

Step One + Step Three = Step Four result

STEP FIVE: Determine the sum of the STEP FOUR results for each provider of fire protection and EMS located within the county that is eligible to receive revenue under Ind. Code § 6-3.6-6-4.3.

STEP SIX: The percentage of revenue that shall be distributed to each provider of fire protection and EMS located within the county that is eligible to receive revenue under Ind. Code § 6-3.6-6-4.3 is equal to the STEP FOUR result for the provider, divided by the STEP FIVE result.

$$\frac{\text{Step Four result}}{\text{Step Five result}} = \text{Distribution percentage for each provider}$$

In other words, each fire protection and EMS provider is eligible to receive a percentage of the fire and EMS LIT rate based on the provider's proportionate share of the population served and the square mileage covered relative to all other providers in the county.

It is unclear whether providers otherwise eligible to receive a distribution under Ind. Code § 6-3.6-6-4.3 are excluded if they are participating units of a fire protection territory, which is independently eligible to receive a distribution under that statute. For example, a municipal fire department is required to receive a distribution. The municipality that the fire department serves is also the provider unit of the fire protection territory. Ind. Code § 6-3.6-6-4.3 does not describe whether the municipal fire department will receive its own distribution independent of that of the fire protection territory.

(3) Nonmunicipal LIT Rate

a. "Nonmunicipal Civil Taxing Unit" Defined

A "nonmunicipal civil taxing unit" means townships, libraries, and all other civil taxing units, including binding units, that imposed an ad valorem property tax levy in the county for the calendar year preceding the distribution year. The term does not include counties, cities, towns, or school corporations. Presumably, the term also does not include townships, libraries, and other civil taxing units that did not impose a property tax levy in the calendar year preceding the distribution year.³⁵

However, fire protection districts, while considered "nonmunicipal civil taxing units" are excluded from being eligible for this distribution. See "Tax Rate", on Page 9.

³⁵ Ind. Code § 6-3.6-6-0.5.

b. Tax Rate

The county may adopt a tax rate not to exceed two-tenths of one percent (0.2%) for general purpose revenue distributed to nonmunicipal civil taxing units, excluding fire protection districts, that are located within the county.³⁶

c. Distributions to Nonmunicipal Civil Taxing Units

1. In general

The nonmunicipal rate must be imposed “for each type of nonmunicipal civil taxing unit,” which may not exceed more than five-hundredths of one percent (0.05%) for each unit type.³⁷

For example, in a county with townships, public libraries, a solid waste management district, and an airport authority, a county council may impose a 0.2% nonmunicipal LIT rate, broken out by the following rates for each unit type:

Townships	0.05%
Public libraries	0.05%
Solid Waste Management Districts	0.05%
Airport Authorities	0.05%

A distribution of revenue raised for nonmunicipal units must be allocated to all civil taxing units of that same type on a pro rata per capita basis.³⁸ Neither the term “pro rata” nor “per capita” is defined, particularly how the population is to be tabulated.

2. Eligibility for distribution; action by nonmunicipal civil taxing unit

In order to receive the distribution, however, a nonmunicipal civil taxing unit must adopt a resolution requesting the distribution from the county and provide a certified copy of that resolution to the county no later than the July 1 that precedes the distribution year. The county council must then hold a public hearing, no later than August 1, on the resolution. Notice of the public hearing must be given in accordance with Ind. Code 5-3-1 and include a description of the resolution requesting the distribution from the county.³⁹

Upon receipt of the resolution, the county shall distribute to the nonmunicipal taxing unit an amount of revenue raised from the nonmunicipal LIT rate for the distribution year.⁴⁰

³⁶ [SEA 1](#), Section 118, Ind. Code § 6-3.6-6-2(b)(3).

³⁷ [SEA 1](#), Section 128, Ind. Code § 6-3.6-6-4.5(b).

³⁸ [SEA 1](#), Section 128, Ind. Code § 6-3.6-6-4.5(b).

³⁹ [SEA 1](#), Section 128, Ind. Code § 6-3.6-6-4.5(e).

⁴⁰ [SEA 1](#), Section 128, Ind. Code § 6-3.6-6-4.5(f).

A solid waste management district is not eligible to receive a distribution unless a majority of members of the fiscal body (or a majority of each of the county fiscal bodies, in the case of a joint solid waste management district) pass a resolution approving the distribution.⁴¹

3. County discretion to reserve funds if one (1) or more nonmunicipal civil taxing units do not request a distribution

There are two (2) scenarios in which the county may exercise discretion to reserve some of the distribution to nonmunicipal civil taxing units.⁴²

(A) If one (1) or more, but not all, nonmunicipal civil taxing units adopt a resolution requesting a distribution in a given year, the county may either distribute the total amount of revenue raised from the nonmunicipal LIT tax rate

(i) to only those nonmunicipal civil taxing units (except fire protection districts) that have provided a resolution request; or

(ii) to all nonmunicipal civil taxing units (except fire protection districts).

(B) If no nonmunicipal civil taxing units adopt a resolution requesting a distribution in a given year, the county may retain the revenue raised from the nonmunicipal LIT tax rate for use as general purpose revenue for the county. It is unclear, however, if the county can opt to distribute the nonmunicipal LIT revenue to nonmunicipal civil taxing units, notwithstanding the fact that no request was provided for the distribution.

(4) Municipal LIT rate (adopted by County Council)

a. Maximum Allowable Rate

Not to exceed 1.2%.⁴³

b. Purposes

Revenue raised from the tax rate may be used for any purpose of the city or town, including⁴⁴:

Public safety, as defined in Ind. Code § 6-3.6-2-14.

Economic development purposes, as described in Ind. Code § 6-3.6-10.

Pledges for the payment of bonds or to lease payments.

⁴¹ [SEA 1](#), Section 128, Ind. Code § 6-3.6-6-4.5(c).

⁴² See [SEA 1](#), Section 128, Ind. Code § 6-3.6-6-4.5(g).

⁴³ [SEA 1](#), Section 118, Ind. Code § 6-3.6-6-2(b)(3).

⁴⁴ [SEA 1](#), Section 129, Ind. Code § 6-3.6-6-6.1(c).

c. Distributions to Municipal Civil Taxing Units

1. In general

Revenue raised from the tax rate shall be allocated to the cities and towns based on the population of the municipality compared to the population of all other municipalities eligible to receive a distribution.⁴⁵

If the boundaries of a city or town are located in more than one (1) county, only the portion of the population of the city or town that is located within the county imposing the tax rate shall be considered.⁴⁶

2. Eligibility for distribution; action by municipal civil taxing unit

In order to receive the distribution, however, a municipal civil taxing unit must adopt a resolution requesting the distribution from the county and provide a certified copy of that resolution to the county no later than the July 1 that precedes the distribution year. The county council must then hold a public hearing, no later than August 1, on the resolution. Notice of the public hearing must be given in accordance with Ind. Code § 5-3-1 and include a description of the resolution requesting the distribution from the county.⁴⁷

If an eligible city or town adopts a resolution provides the resolution to the county council, the county shall distribution to the eligible city or town an amount of revenue raised from the municipal LIT rate for the distribution year.⁴⁸

There are two (2) scenarios in which the county may exercise discretion to reserve some of the distribution to municipal civil taxing units.⁴⁹

(A) If one (1) or more, but not all, municipal civil taxing units adopt a resolution requesting a distribution in a given year, the county may either distribute the total amount of revenue raised from the municipal LIT tax rate

(i) to only those municipal civil taxing units that have provided a resolution request; or

(ii) to all municipal civil taxing units.

(B) If no municipal civil taxing units adopt a resolution requesting a distribution in a given year, the county may retain the revenue raised from the municipal LIT tax rate for use as general purpose revenue for the county. It is unclear, however, if the county can opt to distribute the municipal LIT revenue to municipal civil

⁴⁵ [SEA 1](#), Section 129, Ind. Code § 6-3.6-6-6.1(b).

⁴⁶ [SEA 1](#), Section 129, Ind. Code § 6-3.6-6-6.1(b).

⁴⁷ [SEA 1](#), Section 129, Ind. Code § 6-3.6-6-6.1(d).

⁴⁸ [SEA 1](#), Section 129, Ind. Code § 6-3.6-6-6.1(e).

⁴⁹ [SEA 1](#), Section 129, Ind. Code § 6-3.6-6-6.1(f).

taxing units, notwithstanding the fact that no request was provided for the distribution.

3. Retention of revenue by County Council

If a county council adopts a tax rate for county general purpose revenue under Ind. Code § 6-3.6-6-2(b)(1) of 1.2% and subsequently adopts a tax rate for municipal LIT distributions under Ind. Code § 6-3.6-6-2(b)(4), the following apply⁵⁰:

(A) 75% of the revenue received from the municipal LIT distributions shall be retained by the county and may be used for county general purposes.

(B) 25% of the revenue shall be distributed among the eligible cities and towns and may be used for municipal general purposes.

(C) The county council may, however, adopt an ordinance to allocate any percentage otherwise retained by the county to be allocated instead to the eligible cities and towns.

C. Municipal LIT Rate (adopted by municipal fiscal body)

(1) Eligibility; population parameters

To be eligible to adopt its own LIT rate, a municipality must have a population of at least 3,500, except as described below. The rules for determining the population of a municipality are as follows:

(1) Until 2030, the population of the municipality is reported by the 2020 federal decennial census.⁵¹

(2) Beginning after 2030, the municipality's fiscal body may adopt an ordinance to continue to use the municipality's population as reported in the immediately preceding federal decennial census of corrected population count (as defined in Ind. Code § 1-1-3.5-1.5) if the most recent federal decennial census reports that the population of the municipality:

a. **increases** from less than 3,500 to 3,500 or more; or

b. **decreases** from 3,500 or more to less than 3,500.

The ordinance must be adopted **on or before September 1** of the calendar year that immediately succeeds the most recent federal decennial census. The ordinance shall take effect on **January 1** of the calendar year that immediately succeeds the year in which the

⁵⁰ Ind. Code § 6-3.6-6-6.1(g).

⁵¹ Ind. Code § 6-3.6-6-22(a)(1).

ordinance is adopted. The fiscal officer of the municipality must provide a certified copy of the ordinance to the Department.⁵²

(3) If a municipality has a population of more than 3,500 but less than 7,000, the municipality may elect to adopt an ordinance to be treated as if it has a population of under 3,500 for purposes of LIT distribution by the county. There is no stated deadline to adopt the ordinance, but it takes effect on **January 1** of the calendar year that immediately succeeds the year in which the ordinance is adopted. The fiscal officer of the municipality must provide a certified copy of the ordinance to the Department. **This ordinance is not revocable and shall not expire following the next federal decennial census.**

In summary:

(1) Until January 1, 2031, a municipality's population as reported by the 2020 federal decennial census governs for purposes of adopting a municipal LIT under Ind. Code § 6-3.6-6-22, for collections starting in 2028.

a. If a municipality's population is less than 3,500, the municipality may not adopt a LIT rate under Ind. Code § 6-3.6-6-22 and may be eligible to receive a distribution under Ind. Code § 6-3.6-6-2(b)(4), if adopted by the county.

b. If a municipality's population is 3,500 or more, the municipality may adopt a LIT rate under Ind. Code § 6-3.6-6-22 and is **not** eligible to receive a distribution under Ind. Code § 6-3.6-6-2(b)(4), if adopted by the county.

c. If a municipality's population is more than 3,500 but less than 7,000, the municipality may adopt an irrevocable and non-expiring ordinance to be treated as if its population is less than 3,500. That is, to be ineligible to adopt a LIT rate under Ind. Code § 6-3.6-6-22.

(2) Starting with 2031 and until 2040, a municipality's population as reported by the 2030 federal decennial census governs for purposes of adopting a municipal LIT under Ind. Code § 6-3.6-6-22.

a. If a municipality's population is less than 3,500, the municipality may not adopt a LIT rate under Ind. Code § 6-3.6-6-22 and may be eligible to receive a distribution under Ind. Code § 6-3.6-6-2(b)(4), if adopted by the county.

b. If a municipality's population is 3,500 or more, the municipality may adopt a LIT rate under Ind. Code § 6-3.6-6-22 and is **not** eligible to receive a distribution under Ind. Code § 6-3.6-6-2(b)(4), if adopted by the county.

⁵² Ind. Code § 6-3.6-6-23(b)(2).

c. If a municipality's population is more than 3,500 but less than 7,000 **and** adopted an ordinance to consider its population to be less than 3,500, the municipality remains ineligible to adopt a LIT rate under Ind. Code § 6-3.6-6-22.

d. If a municipality had a population reported by the 2020 federal decennial census of 3,500 or more but is reported in the 2030 federal decennial census as having population of less than 3,500, the municipality may adopt an ordinance by September 1 to use the reported population from the 2020 federal decennial census. The municipality may remain eligible to adopt a rate under Ind. Code § 6-3.6-6-22, but not until the year after the year the ordinance is adopted.

Ind. Code § 6-3.6-6-22(a); Ind. Code § 6-3.6-6-23

(2) Adopting Body

The municipality's fiscal body is the adopting body.⁵³

(3) Maximum Tax Rate

The LIT rate that may be adopted by the municipal fiscal body may not exceed 1.2%.⁵⁴

(4) Imposition of the Tax

A LIT rate imposed by a municipality applies only to local taxpayers within the territory of the municipality.⁵⁵ The tax is in addition to a tax imposed by the county where the municipality is located.⁵⁶ The tax is imposed on professional athletes who compete in the municipality, unless exempt by Ind. Code § 6-3-2-27.5 or another law.⁵⁷

(5) Distribution

Tax revenue collected from the LIT adopted by the municipality shall be treated as general purpose revenue for the municipality. Tax revenue must be distributed to the fiscal officer before July 1 of the next calendar year.⁵⁸

(6) Duration

After December 31, 2030, a tax rate imposed by a municipality expires on December 31 of each calendar year. A municipality wishing to continue, increase, or decrease a tax rate in the succeeding year must readopt the tax rate by ordinance and in accordance with Ind. Code § 6-

⁵³ Ind. Code § 6-3.6-6-22(b).

⁵⁴ Ind. Code § 6-3.6-6-22(b).

⁵⁵ Ind. Code § 6-3.6-6-22(c)(1).

⁵⁶ Ind. Code § 6-3.6-6-22(c)(2).

⁵⁷ Ind. Code § 6-3.6-6-22(c)(4).

⁵⁸ Ind. Code § 6-3.6-6-22(d).

3.6-6-3.3. Readoption must occur regardless of whether there is a modification in the tax rate or the rate is unchanged from the previous year.⁵⁹

⁵⁹ Ind. Code § 6-3.6-6-22(e).

III. Collection and Distribution Procedures

A. State and LIT Holding Account

Effective July 1, 2027, the State Budget Agency (“SBA”) shall maintain a State and LIT Holding Account. This account will replace the current accounting by SBA for LIT distributions, which will expire on December 31, 2027.⁶⁰

[SEA 1](#), Section 154, Ind. Code § 6-3.6-9-1

[SEA 1](#), Section 155, Ind. Code § 6-3.6-9-1.1

[SEA 1](#), Section 167, Ind. Code § 6-3.6-9-13

The State and LIT Holding Account is established within the state general fund and administered by SBA. The account consists of the following:

- (1) Money transferred to the account from LIT collections.
- (2) Money transferred to the account from any other source.
- (3) Interest that accrues from money in the account.

Money in this account is continuously appropriated for the purposes of LIT distributions and does not revert to the state general fund at the end of the fiscal year. The treasurer of state shall invest the money in the account not currently needed for the purposes of the account. The SBA director shall have the discretion to manage transfers of money into and out of the account based on the current process used for continuous assessment of revenue flows and reconciliation based on the latest data.

[SEA 1](#), Section 172, Ind. Code § 6-3.6-9-20

SBA shall maintain an accounting for each county that imposes a LIT based on annual returns filed by or for county taxpayers. Ind. Code § 6-3.6-8-3 treats the county taxpayer as an individual who maintains a residence in the county. After December 31, 2027, any undistributed amounts shall be held for purposes of the State and LIT Holding Account.

After December 1 but before December 31 of each year, SBA shall present to the budget committee a report of the following:

- (1) An estimate of the monthly certified distribution amounts for the immediately succeeding calendar year.
- (2) A description of the method used to determine the monthly estimates.

Beginning in 2028, and in each calendar year thereafter, SBA shall transfer in each month the amount determined to be distributed for that month into the State and LIT Holding Account.

⁶⁰ Ind. Code § 6-3.6-9-21.

For each of the first three (3) years after December 31, 2027, SBA shall withhold five percent (5%) of the annual certified distributions attributed to a LIT for county general purpose revenue or municipal general purpose revenue. The amounts withheld shall be credited to the respective county or municipality's trust account.

SEA 1, Section 173, Ind. Code § 6-3.6-9-21

After December 31, 2027, the county's certified distribution amount for 2028 shall be maintained in the accounting for the county in the State and LIT Holding Account and transferred from it as set forth in Ind. Code § 6-3.6-9-21.⁶¹

One twelfth (1/12) of each adopting county's certified distribution for a calendar year shall be distributed from the State and LIT Holding Account after December 31, 2027.⁶²

B. Rate Changes

1. The revenue that is to be distributed to a county during an ensuing calendar year equals the amount of tax revenue that SBA determines has been:

(1) attributed to that county for a taxable year ending in a calendar year preceding the calendar year in which the determination is made; and

(2) reported on an annual return or amended return filed by or for a county taxpayer and processed by the department in the state fiscal year ending before July 1, or for a federal income tax deadline set after July 1, a date set by the department for a period of not more than sixty (60) days beyond the federal deadline, of the calendar year in which the determination is made;

without adjustment based on the enactment of a tax rate change under Ind. Code §§ 6-3.6-6-2 (county tax rate) or 6-3.6-6-22 (municipal tax rate) in the first preceding calendar year it becomes effective.⁶³

C. Elimination of Distribution Estimates

The August estimates of the amount to be distributed to the county and each taxing unit within the county, including specific estimated distributions to taxing units in Lake County, are eliminated, effective July 1, 2027.⁶⁴

D. SBA Certified Distributions

Before October 1 of each calendar year, SBA shall certify to the Department and the county auditor the amount determined to be distributed to the county in the ensuing budget year. This

⁶¹ Ind. Code § 6-3.6-9-17.5.

⁶² Ind. Code § 6-3.6-9-12.

⁶³ Ind. Code § 6-3.6-9-4.

⁶⁴ Ind. Code § 6-3.6-9-5.

amount is the county's certified distribution. The certified distribution shall be adjusted, as necessary, under Ind. Code §§ 6-3.6-9-6 or 7.

SBA shall provide the adopting body with an informative summary of the calculations used to determine the certified distribution, including

- (1) The amount reported on individual income tax returns processed by DOR during the previous fiscal year.
- (2) Adjustments for over distributions in prior years.
- (3) Adjustments for clerical or mathematical errors in prior years.⁶⁵
- (4) Tax rates imposed under Ind. Code § 6-3.6-6, Ind. Code § 6-3.6-7, and (in the case of Marion County) Ind. Code § 6-3.6-2-13(3).⁶⁶

This information must also be certified to the county auditor, the fiscal officer of each taxing unit in the county, and to the Department not later than October 1 of each calendar year.⁶⁷

E. Adjustments to the Certified Distribution

SBA shall certify an amount less than the certified distribution if it determines that the reduced distribution is necessary to offset overpayments made in the calendar year before the distribution, or for clerical or mathematical errors made in a prior certification. SBA may reduce the amount of the certified distribution over several calendar years so that any overpayments or adjustments are offset over several years rather than in one (1) lump sum.⁶⁸ However, SBA may not reduce, adjust, or modify a certified distribution after it has been presented in a report to the budget committee for the immediately succeeding calendar year, except in the case of clerical and mathematical errors.⁶⁹

Due to the change in effective dates under Ind. Code § 6-3.6-3-3, SBA is no longer required to adjust the certified distribution in the case of a county changing a tax rate before November 1 of a year.⁷⁰

F. Distribution to Taxing Units

(1) In general

Not later than thirty (30) days after receiving the SBA's amount of the certified distribution, the Department shall determine for each taxing unit and notify the county auditor of the certified amount that will be distributed to the taxing unit during the ensuing calendar year. Not later than thirty (30) days after receiving the Department's estimate, the county auditor shall notify each taxing unit of the certified amounts for the taxing unit.⁷¹

⁶⁵ Ind. Code § 6-3.6-9-9.

⁶⁶ Ind. Code § 6-3.6-9-10.

⁶⁷ Ind. Code § 6-3.6-9-11.

⁶⁸ Ind. Code § 6-3.6-9-6; Ind. Code § 6-3.6-9-7.

⁶⁹ Ind. Code § 6-3.6-9-7.

⁷⁰ Ind. Code § 6-3.6-9-8, repealed effective July 1, 2027.

⁷¹ Ind. Code § 6-3.6-9-5.

(2) Distributions to taxing units in Lake County

When the Department notifies the Lake County Auditor of the certified amount that will be distributed to the taxing unit during the ensuing calendar year, the Department will also determine the amount of general purpose revenue allocated for economic development purposes that will be distributed to each taxing unit, reduced by the amount that is equal to the following percentages of the tax revenue that would otherwise be allocated for economic development purposes and distributed to the taxing unit:

Civil Taxing Unit	Percent%
Lake County	25%
Crown Point	10%
Dyer	15%
Gary	7.5%
Hammond	15%
Highland	12%
Hobart	18%
Lake Station	20%
Lowell	15%
Merrillville	22%
Munster	34%
New Chicago	1%
Schererville	10%
Schneider	20%
Whiting	25%
Winfield	15%

The amounts attributable to the respective percentages above will be withheld under Ind. Code § 6-3.6-11-5.5. The Department shall notify the Lake County Auditor of the remaining amounts to be distributed and the amount of the reductions that will be withheld.⁷² General purpose revenue allocated for economic development purposes by a civil taxing unit must first be used to provide funding for a rail project described in Ind. Code § 36-7.5-1-13.5.⁷³

G. Repeal of Supplemental Distribution

The supplemental distribution is eliminated, first effective for LIT distributions in 2028.⁷⁴

⁷² Ind. Code § 6-3.6-9-5.

⁷³ Ind. Code § 6-3.6-11-5.5.

⁷⁴ Ind. Code § 6-3.6-9-15, effective January 1, 2028; Ind. Code § 6-3.6-9-16, effective July 1, 2027.

H. Distributions to the Northwest Indiana Regional Development Authority (“NWIRDA”)

The following describes distributions of general-purpose revenue for economic development (the “economic development allocation”) to Lake County, LaPorte County, Porter County, and any municipality in those counties that is a member of the NWIRDA.

(1) Lake County

The county or a city described in Ind. Code § 36-7.5-2-3(b) may use the economic development allocation for making transfers required by Ind. Code § 36-7.5-4-2 or to provide rail project funding under Ind. Code 36-7.5-4.5. The economic development allocation used to make transfers required by Ind. Code § 36-7.5-4.5-2 or to provide rail project funding shall be paid by the treasurer of state to the treasurer of the NWIRDA before certified distributions are made to the county or any cities or towns in the county.⁷⁵

(2) Porter County

The first \$3,500,000 from general purpose revenue shall be used by the county to make transfers as required under Ind. Code § 36-7.5-4-2 to the NWIRDA before any certified distributions are made to the county unit or any other taxing unit in the county. The adopting body may not reduce the proportional allocation of the general purpose revenue allocated to the county if the reduction would result in an amount less than the amount necessary for Porter County to fulfill its obligation to the NWIRDA to pay to support northwest Indiana rail projects and projects described in Ind. Code § 36-7.5-4-2.5.⁷⁶

(3) LaPorte County

There are no explicit provisions governing the distribution of the economic development allocation for LaPorte County with respect to the NWIRDA.⁷⁷

⁷⁵ Ind. Code § 6-3.6-11-6(a).

⁷⁶ Ind. Code § 6-3.6-11-6(b).

⁷⁷ See generally Ind. Code § 6-3.6-11-6.