

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

Frequently Asked Questions

2025 Legislative Overview
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PROPERTY TAX DEDUCTIONS

- 1. Is a mobile home or manufactured home not assessed as real property still only allowed a 50% deduction amount? Or would the property now be eligible for both the Homestead Deduction and the Supplemental Homestead Deduction?**

The limit on deductions for mobile or manufactured homes outlined in Ind. Code § 6-1.1-12-40.5 was not impacted during the 2025 Legislative Session. That statute still provides:

Notwithstanding any other provision, the sum of the deductions provided under this chapter [Ind. Code § 6-1.1-12] to a mobile home that is not assessed as real property or to a manufactured home that is not assessed as real property may not exceed one-half ($\frac{1}{2}$) of the assessed value of the mobile home or manufactured home.

- 2. If a mobile home or manufactured home is still able to receive the Homestead Deduction, is it also possible for the property to receive one of the veterans' deductions?**

Subject to the limit on deductions for mobile or manufactured homes outlined in Ind. Code § 6-1.1-12-40.5 (see above), there is no restriction that prohibits an individual from receiving a Homestead Deduction on a property while also receiving the deductions for veterans under Ind. Code § 6-1.1-12-13 or -14.

- 3. For the remaining deductions, is it possible for a property owner to apply the deductions on multiple homes or properties?**

The veterans' deductions under Ind. Code § 6-1.1-12-13 or -14 may be spread across multiple properties. The application form for these deductions contemplates this possibility by noting that, if the applicant desires to split the deduction among additional properties, the applicant should attach a list of those properties. However, while an individual could split the deduction up across

multiple properties, the total amount deducted across all such properties would be capped at the maximum amount for the particular deduction (e.g., \$24,960).

Also, under some circumstances, multiple parcels might qualify for the Homestead Deduction, for example, if there are multiple parcels within the one (1) acre of land immediately surrounding the dwelling, all those parcels are eligible to receive the standard and supplemental homestead deductions and 1% tax cap.

4. How are LLCs going to work under the revised Homestead Deduction? Can they still receive the deduction if they meet the requirements?

The subsection addressing LLCs within the Homestead Deduction statute outlined in Ind. Code § 6-1.1-12-37(r) was not impacted during the 2025 Legislative Session. It still provides:

(r) As used in this section, "homestead" includes property that satisfies each of the following requirements:

(1) The property is located in Indiana and consists of a dwelling and includes up to one (1) acre of land immediately surrounding that dwelling, and any of the following improvements:

(A) Any number of decks, patios, gazebos, or pools.

(B) One (1) additional building that is not part of the dwelling if the building is predominately used for a residential purpose and is not used as an investment property or as a rental property.

(C) One (1) additional residential yard structure other than a deck, patio, gazebo, or pool.

(2) The property is the principal place of residence of an individual.

(3) The property is owned by an entity that is not described in subsection (a)(2)(B).

(4) The individual residing on the property is a shareholder, partner, or member of the entity that owns the property.

(5) The property was eligible for the standard deduction under this section on March 1, 2009.

5. How will the new Homestead Deduction and Supplemental Homestead Deduction be applied to side lots? Will side lots still matter?

The 2025 Legislative Session impacted the deduction amounts for the Homestead Deduction and Supplemental Homestead Deduction, but did not change how they are to be applied.

6. Will we still need to update Gateway with names, social security numbers, and driver's license numbers for those individuals claiming the Homestead Deduction?

Yes.

7. Is the Heritage Barn Deduction still available? Were there any changes to that deduction?

Yes, the Heritage Barn Deduction is still available. No changes were made to this deduction (Ind. Code § 6-1.1-12-26.2) during the 2025 Legislative Session.

8. For the 2% Properties Deduction, it has been referenced that the applicable properties include: (i) residential property; (ii) long term care property; and (iii) agricultural land. Is this a comprehensive list?

The new statute, Ind. Code § 6-1.1-12-47, in subsection (b), defines “eligible property” as “all property that is subject to the credit for excessive property taxes under IC 6-1.1-20.6-7.5(a)(2) through IC 6-1.1-20.6-7.5(a)(4).” A taxpayer with eligible property is entitled to the new deduction provided for under Ind. Code § 6-1.1-12-47.

Indiana Code § 6-1.1-20.6-7.5(a)(2) through Ind. Code § 6-1.1-20.6-7.5(a)(4) lists only residential property, long term care property, and agricultural land. Definitions for “residential property”, “long term care property”, and “agricultural land” are provided in Ind. Code § 6-1.1-20.6 under sections 4, 2.3, and 0.5, respectively.

9. For the 2% Property Deduction, would apartment complexes (multi-family use properties) be privy to the benefit?

Assuming the apartment complex in question is considered “residential property” under Ind. Code § 6-1.1-20.6-7.5(a)(2), then yes, it would be eligible for the deduction.

10. Are mobile homes and manufactured homes not assessed as real property supposed to receive the 2% Property Deduction?

If the mobile or manufactured home is a homestead, it would not be eligible for the deduction under Ind. Code § 6-1.1-12-47. If the mobile or manufactured home is considered “residential property” under Ind. Code § 6-1.1-20.6-7.5(a)(2), then it would be eligible for the deduction.

11. If an assessor increased the assessed value of a property by the amount attributable to the Geothermal Deduction or Solar Deduction, will the sunseting of this deduction result in the county assessor decreasing the assessed value by the Geothermal Deduction or Solar Deduction amount?

The amount of the Geothermal Device Deduction provided for under Ind. Code § 6-1.1-12-34 was:

- (1) the assessed value of the real property or mobile home with the geothermal heating or cooling device, minus
- (2) the assessed value of the real property or mobile home without the geothermal heating or cooling device.

This provision implies that the assessor should know the assessed value of the real property or mobile home with the geothermal device. The removal of the deduction should not affect the gross assessed value. If an assessing official has previously classified geothermal or solar devices as separate improvements to assist auditors in determining the deduction amount, the expiration of those deductions should not impede their ability to continue listing those devices separately.

12. Did SEA 1 only eliminate the deduction for real property located in an enterprise zone in Marion County? Or were all enterprise zone deductions eliminated?

SEA 1 eliminated the deduction under Ind. Code § 6-1.1-12-40. This deduction only applied to real property located in an enterprise zone established in a county containing a consolidated city – i.e., Marion County.

13. For the expired deductions, do we remove them for 2025 Pay 2026? When is the sunset effective?

The deductions eliminated by SEA 1 are retroactively effective as of January 1, 2025. Consequently, individuals will no longer have the ability to apply for these deductions starting on that date. Additionally, county auditors will cease to apply these deductions to property tax bills for the 2025 Pay 2026 cycle. The following sections of SEA 1 eliminated the deductions described below by stating that these deductions apply only to property taxes imposed for an assessment date before January 1, 2025:

Expired Deduction	Ind. Code Cite	SEA 1 Section
Deduction for surviving spouses of World War I veterans	6-1.1-12-16	28
Deduction for the rehabilitation of residential real property	6-1.1-12-18	32
Deduction for solar energy heating or cooling systems	6-1.1-12-26	34
Deduction for solar power devices	6-1.1-12-26.1	35
Deduction for resource recovery systems	6-1.1-12-28.5	37
Deduction for wind power devices	6-1.1-12-29	38
Deduction for hydroelectric power devices	6-1.1-12-33	39
Deduction for geothermal devices	6-1.1-12-34	41
Deduction for fertilizer and pesticide storage	6-1.1-12-38	46
Deduction for real property located in an enterprise zone established in Marion County	6-1.1-12-40	47
Deduction for personal property held as inventory	6-1.1-12-42	48

14. Is Adjustment Code 20 (Economic Revitalization Area – Personal Property Abatement) no longer available?

The abatement or deduction for personal property within economic revitalization areas outlined in Ind. Code § 6-1.1-12.1 was not impacted during the 2025 Legislative Session. Therefore, Adjustment Code 20 (Economic Revitalization Area – Personal Property Abatement) will continue to apply as it has in the past.

15. Is Adjustment Code 14 (Resource Recovery Systems) no longer available?

Section 37 of SEA 1 specifies that the Resource Recovery Systems Deduction is only applicable to property taxes imposed for an assessment date before January 1, 2025; therefore, the deduction will not be available starting 2025 Pay 2026. However, for legacy information purposes, Adjustment Code 14 (Resource Recovery Systems) will continue to be listed under Code List 37.

16. Are the Investment Deductions under Adjustment Codes 50, 51, 52, 53, and 54 no longer available?

As referenced in the Department's [Property Tax Management System Code List Manual](#), the following Adjustment Codes were not valid after 2010:

- Adjustment Code 50 (Real Investment Deduction)
- Adjustment Code 51 (PP Investment Deduction)
- Adjustment Code 52 (Utility Investment Deduction)

However, for legacy information purposes, these Adjustment Codes will continue to be listed under Code List 37.

The following Adjustment Codes reference deductions available under Ind. Code § 6-1.1-45, which was not impacted during the 2025 Legislative Session and will therefore continue to apply as they have in the past:

- Adjustment Code 53 (Real EZ Investment Deduction)
- Adjustment Code 54 (Personal Property EZ Investment Deduction).

17. Are exemptions applied before any deduction?

Yes.

PROPERTY TAX CREDITS

18. Can a taxpayer receive more than one Over 65 Credit? If an individual owns two (2) homes, can they claim the credit on both properties?

No. Ind. Code § 6-1.1-51.3-1(a) states “an individual is entitled to a credit” and refers to the credit in the singular form throughout the statute.

19. Can more than one (1) deeded owner claim the Over 65 Credit?

Subsection (d) of the new Ind. Code § 6-1.1-51.3-1, which provides for the Over 65 Credit, says:

For purposes of this section, if real property, a mobile home, or a manufactured home is owned by:

- (1) tenants by the entirety;
- (2) joint tenants; or
- (3) tenants in common;

only one (1) credit may be allowed. However, the age requirement is satisfied if any one (1) of the tenants is at least sixty-five (65) years of age.

Please note that the amount of the credit would be reduced under subsection (g) of Ind. Code § 6-1.1-51.3-1 if not all of the individuals sharing ownership or purchasing the property under contract are 65 years of age.

20. Can you live in another state and claim the Over 65 Credit?

Yes. As there is no residency requirement in Ind. Code § 6-1.1-51.3-1(a), an out-of-state applicant who meets all of the eligibility requirements for the credit could receive the credit on the individual's Indiana property.

21. Are there limitations for a taxpayer claiming the Over 65 Credit and the Blind/Disabled Credit at the same time?

No.

22. If there is not a residency requirement for the Over 65 Credit, would there be anything that would prevent an individual from filing more than one Over 65 Credit?

See answer to Question #18 above.

23. Is the Over 65 Credit limited to one parcel, or can taxpayers apply for the credit on multiple parcels?

The statutory provisions governing the Over 65 Credit do not explicitly delineate whether an individual may claim this credit in relation to multiple properties, in contrast to the provisions for the Over 65 Deduction. According to Ind. Code § 6-1.1-12-9(a)(5), individuals claiming the Over 65 Deduction must reside on the property in question, with the deduction amount applicable only to the property where the applicants live. However, the eligibility criteria for the Over 65 Credit differ, and individuals are not required to reside on the property for which they are claiming the credit. Given that the statute does not address the possibility of claiming the Over 65 Credit for more than one property, coupled with the differing eligibility requirements from those applicable to the Over 65 Deduction, it is possible that a taxpayer might successfully claim the Over 65 Credit on multiple properties.

24. Will an applicant need to attach proof of adjusted gross income with the application for the Over 65 Credit?

The applicant is required to provide documentation necessary to substantiate the applicant's eligibility for the credit. This would include that the applicant meets the income requirements to be eligible for the Over 65 Credit. Counties may opt to automatically transfer individuals currently receiving the Over 65 Deduction to the new credit.

25. Is proof of blindness or disability required with the application for the Blind/Disabled Credit?

The applicant must submit proof of disability in accordance with Ind. Code § 6-1.1-51.3-2(e). The statute specifies that verification of eligibility for disability benefits under the federal Social Security Act (42 U.S.C. 301 et seq.) will suffice as proof of disability when claiming the credit. Counties may opt to automatically transfer individual currently receiving the Blind/Disabled Deduction to the new credit.

26. How are we to identify property that is eligible for the new Supplemental Homestead Credit?

Indiana Code § 6-1.1-20.6-7.7 states that a person who qualifies for the Homestead Deduction under Ind. Code § 6-1.1-12-37 (or is married at the time of death to a deceased spouse who qualifies for a Homestead Deduction under Ind. Code § 6-1.1-12-37 for the person's homestead) is also entitled to receive a Supplemental Homestead Credit under Ind. Code § 6-1.1-20.6-7.7. Auditors are tasked with (1) identifying the property in the county eligible for the credit and (2) applying the credit to the property tax liability on the identified property. Please keep in mind that the new Supplemental Homestead Credit (IC 6-1.1-20.6-7.7) is different than the Supplemental Homestead Deduction (IC 6-1.1-12-37.5).

27. For the new Supplemental Homestead Credit, is the 10% calculation only based on the tax attributed to the homestead property, or is it based on the total tax amount?

The new statute, Ind. Code § 6-1.1-20.6-7.7 stipulates that individuals eligible for the Supplemental Homestead Credit are entitled to receive a credit against their property tax obligations specifically for the homestead that qualifies for the standard deduction. Moreover, the credit amount is determined as the lesser of two values: (1) ten percent (0.1) of the property tax liability for the homestead for the calendar year, or \$300. The credit should be calculated based on the tax liability attributable to the homestead property that is receiving the Homestead Deduction.

28. For the new Supplemental Homestead Credit, if a surviving spouse is married to a qualified spouse, does the surviving spouse have to be deeded on the property to receive the credit?

The only requirement in Ind. Code § 6-1.1-20.6-7.7 that must be met to receive the new Supplemental Homestead Credit is that the individual must also qualify for the Standard

Homestead Deduction under Ind. Code § 6-1.1-12-37 (or must be married at the time of death to a deceased spouse who qualified for the Standard Homestead Deduction on the individual's homestead).

29. Is the new Supplemental Homestead Credit calculated before any other credits are applied to provide the maximum benefit to the taxpayer?

Not necessarily. Indiana Code § 6-1.1-51.3-0.5 specifies that the new Over 65 Credit and the Blind/Disabled Credit are to be applied before the application of any credits under Ind. Code § 6-1.1 or § 6-3.6 (except the credits under Ind. Code § 6-1.1-20.6-7.5 - i.e., the property tax cap credits). The Supplemental Homestead Credit would be calculated after the application of the new Over 65 and Blind/Disabled Credits. Also, if a statute specifies how to apply a particular credit, that statute should be followed. See the Order of Operations Table included with the answer to Question #33.

30. Which levies will the new Supplemental Homestead Credit be applied to? Will referendum levies be exempted from this credit, as they are for the Circuit Breaker Credit?

The new Ind. Code § 6-1.1-20.6-7.7(d) states that property taxes imposed after being approved by the voters in a referendum or local public question shall not be considered for purposes of calculating a person's Supplemental Homestead Credit.

Please note, however, that the definition of "protected taxes" in Ind. Code § 6-1.1-20.6-9.8 does not list the new Supplemental Homestead Credit as one of the credits that protected taxes are protected from. Section 9.8, and more specifically the application of protected taxes and allocation of revenue outlined in subsection (c), applies only to the 1%/2%/3% credits defined in sections 7 (pre-2009 tax liabilities) and 7.5 (current, post-2009 tax liabilities) of Ind. Code § 6-1.1-20.6. As such, the new Supplemental Homestead Credit will be apportioned to both protected taxes (debt service levies not imposed via a referendum/ballot question) and unprotected taxes. In other words, this credit will be applied to the person's homestead property tax liability, except for those property taxes imposed as a result of a referendum or local public question. See the Order of Operations Table included with the answer to Question #33.

31. For the Community Land Trust Credit, the statute specifies that the Department of Local Government Finance shall prescribe a form for qualified owners to claim the credit. Will the applicants apply for this credit with the auditor or the assessor? Who will be responsible for verifying the qualifications? Who will apply and track the benefit?

As with other deduction and credit applications, the application for the Community Land Trust Property Credit will be submitted to county auditors, who will be responsible for verifying the qualifications for the credit and then applying and tracking the credit.

32. There are several places that base eligibility for a credit on the year in which the credit is “claimed”. By “claimed”, does it mean the year the taxes are first due and payable or the year the claim is placed on the property – i.e., the assessment year?

This likely refers to the tax year the applicant claims the credit should be applied to the applicant’s tax liability. For example, someone wishing to claim the new Over 65 Credit for the 2025 Pay 2026 tax year would need to apply for the credit by January 15, 2026. An applicant could submit the application earlier than the deadline (e.g., in 2025), but the credit would be “claimed” for Pay 2026. The specific statute that provides for the credit and its eligibility requirements always controls.

33. What steps should be followed regarding the application of property tax incentives post the 2025 Legislative Session, and how do these incentives interact with debt levies and referendum levies?

Below is an outline of the order of operations for applying exemptions, deductions, and credits to an individual’s property tax liability:

Order of Operations		Protected (Debt)	Exempt (Referendum)
1	Exemptions	N/A	N/A
2	Deductions	N/A	N/A
3	Local Property Tax Credits (PTC)	N/A	N/A
4	Property Tax Caps	Yes	Yes
5	Over 65 Credit or Blind/Disabled Credit (NEW)	No	No
6	Supplemental Homestead Credit (NEW)	No	Yes
7A	Over 65 Circuit Breaker Credit	No	No
7B	County Option Circuit Breaker Credit	No	Yes
8	County Option Homestead Relief Credit (NEW)	N/A	N/A

34. Can you provide an example tax bill calculation including the Supplemental Homestead Credit, the Over 65 Credit, and the Over 65 Circuit Breaker Credit for 2025 Pay 2026, 2026 Pay 2027, and 2027 Pay 2028?

2024 Pay 2025 Tax Liability	\$2,092.48
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2025 Pay 2026	Amount
Gross Assessed Value	\$226,700
Standard Homestead Deduction	\$48,000
Supplemental Homestead Deduction	\$71,480 (40% of AV)
Total Deductions	\$119,480
Net Assessed Value	\$107,220
Gross Tax Liability (NAV/100) * Total Tax Rate)	\$2,326.24 (\$1,072.00 * \$2.17 (Rate Example))
Property Tax Cap Credit	\$59.24 (\$2,326.24 - (\$226,700 * 0.01 (1% CB))
Over 65 Credit	\$150
Supplemental Homestead Credit	\$211.70
Over 65 Circuit Breaker Credit	\$0 (<i>Liability Does Not Exceed 2% Increase</i>)
Total Tax Liability	\$1,905.30

2026 Pay 2027	Amount
Gross Assessed Value	\$240,300
Standard Homestead Deduction	\$40,000
Supplemental Homestead Deduction	\$92,138 (46% of AV)
Total Deductions	\$132,138
Net Assessed Value	\$108,162
Gross Tax Liability (NAV/100) * Total Tax Rate)	\$2,347.12 (\$1,081.62 * \$2.17 (Rate Example))
Property Tax Cap Credit	\$0 (<i>Liability Does Not Exceed 1% GAV</i>)
Over 65 Credit	\$150
Supplemental Homestead Credit	\$219.71
Over 65 Circuit Breaker Credit	\$34.00 ((\$1,905.30 * 1.02) - \$1,977.41)
Total Tax Liability	\$1,943.41

2027 Pay 2028	Amount
Gross Assessed Value	\$255,000
Standard Homestead Deduction	\$30,000
Supplemental Homestead Deduction	\$117,000 (52% of AV)
Total Deductions	\$147,000
Net Assessed Value	\$108,000
Gross Tax Liability (NAV/100) * Total Tax Rate)	\$2,343.60 (\$1,080.00 * \$2.17 (Rate Example))
Property Tax Cap Credit	\$0 (<i>Liability Does Not Exceed 1% GAV</i>)
Over 65 Credit	\$150
Supplemental Homestead Credit	\$219.36
Over 65 Circuit Breaker Credit	\$0 (<i>Liability Does Not Exceed 2% Increase</i>)
Total Tax Liability	\$1,974.24

PROPERTY TAX EXEMPTIONS

35. Will Form 136 (Application for Property Tax Exemption) be updated?

The Department is in the process of reviewing its forms, including the Application for Property Tax Exemption, for potential updates.

BUSINESS PERSONAL PROPERTY

36. Do taxpayers have to claim the exemption for property with an acquisition cost that is less than \$2,000,000?

Yes. See Ind. Code § 6-1.1-3-7.2(e).

37. If the exemption for property with an acquisition cost that is less than \$80,000 has already been applied, will taxpayers need to refile to claim the \$2,000,000 exemption?

Subsection (f) of Ind. Code § 6-1.1-3-7.2 provides:

Beginning after December 31, 2022, a taxpayer that has included the information required under subsection (e) on the taxpayer's personal property tax return to claim the exemption under this section is not required to file a personal property return for the taxpayer's business personal property for an assessment date that occurs after the assessment date for which the information is first provided under subsection (e), unless or until the taxpayer no longer qualifies for the exemption under subsection (d) for a subsequent assessment date.

A taxpayer who had previously claimed the exemption because the acquisition cost of the taxpayer's property was less than \$80,000 would not be required to refile simply because the exemption amount was increased (assuming the taxpayer continues to qualify for the exemption).

38. Is the \$2,000,000 exemption amount cumulative or annual? For example, if a business acquires equipment for \$1,500,000 in Year 1 and additional equipment for \$1,500,000 in Year 2, will their taxable business personal property assessed value be \$0 or \$1,000,000?

The exemption under Ind. Code § 6-1.1-3-7.2(d) applies if the acquisition cost of a taxpayer's *total* business personal property in a county is less than the applicable amount (\$80,000 for assessment dates before 2026; \$2 million for the 2026 assessment date and each assessment date thereafter).

In the example given, the total acquisition cost (before any applicable depreciation) would be \$3 million, and the taxpayer would not be eligible for the exemption on any portion of their personal property.

39. Where can taxpayers see how many (and which) businesses in the county are claiming the \$2,000,000 exemption and the total amount of exemptions?

Taxpayers would need to contact the county assessor for this information.

40. Will there be a special form for business personal property that is located in a TIF district and still subject to the 30% floor?

The Department is in the process of reviewing its forms.

CONTROLLED PROJECTS, DEBT, & BUDGETING MATTERS

41. Does the one-year cooling-off period only apply to general obligation bonds with a period of two (2) years?

Not necessarily. If a qualified political subdivision issued a new general obligation bond *before* May 1, 2025, for a period of two (2) years or less, the unit must wait one (1) year from the date the general obligation bond expires before it may issue another general obligation bond.

For general obligation bonds issued *after* May 1, 2025, a qualified political subdivision is required to wait one (1) year from the expiration date of a general obligation bond before issuing a new one, contingent upon the following conditions:

- (1) the bond has a period of not more than five (5) years;
- (2) the bond is payable by property tax; and
- (3) the bond is for a purpose or project that is not considered a "controlled project" under Ind. Code § 6-1.1-20.

42. Even though there is no specified penalty for issuing a general obligation bond during the cooling-off period, should units anticipate that the Department will not approve a debt service levy for debt incurred during the cooling-off period?

Indiana Code § 5-1-14-17 does not provide that the Department may not approve, or have discretion to approve, a debt service levy for a debt that is not compliant with the cooling-off period. The Department may not approve a levy for debt service that has not been adequately reported, under Ind. Code §§ 5-1-18-7 and Ind. Code § 5-1-18-8.

43. Do the changes to the controlled project statutes apply to fire protection districts that use a debt service fund to purchase fire vehicles through a lease?

A fire protection district is a "political subdivision" that must comply with the requirements of controlled projects as amended by SEA 1. The requirements of a controlled project apply when a political subdivision seeks to issue a bond or enter into a lease, and the statutory thresholds are met.

44. How will the changes under SEA 1 impact the binding review process for libraries?

The circumstances under which a public library becomes subject to binding review by a local fiscal body are detailed in Indiana Code § 6-1.1-17-20.4. This statute was not amended during the 2025 Legislative Session; thus, the binding review process for libraries remains unchanged.

45. If a unit currently has a debt service fund with a final payment to be made on June 30, 2026, and the unit wants to roll the debt service fund to a new debt that will have its first payment due in January 2027, can the unit use the same procedure that has been used in the past?

The controlled project statutes (Ind. Code § 6-1.1-20-0.5 et seq.) apply to the issuance of a bond or execution of a lease by a political subdivision. A political subdivision seeking to issue a new bond or enter into a new lease must follow the controlled project statutes that are in effect at the time the political subdivision takes action on the new bond or lease. Additionally, a political subdivision should also be mindful of the new debt restrictions under Ind. Code § 5-1-14-17.

46. Does the Department plan to release estimates on the projected impact of SEA 1 for local units?

The Department does not plan to release estimates on the projected impact of SEA 1 on local units of government; however, the Department would note that the [Fiscal Impact Statement](#) compiled for SEA 1 contains links to supplemental reports for [Unit-Level Estimated Change in Net Levies Compared to Current Law by Year](#) and [Unit-Level Estimated Change in Year-Over-Year Net Levies](#).

LOCAL INCOME TAXES

47. What permits a county council to adopt a local income tax rate of up to 0.3% to replace property taxes charged by the county unit of government?

Indiana Code § 6-3.6-6-3.1, added by Section 125 of SEA 1, permits a county council to impose a LIT rate of up to 0.3%. The revenue from this rate will be used to fund property tax replacement credits for homesteads in the county.

48. Are CEDIT, Public Safety, PSAP, and Correctional Rehabilitation still separate rates? Or are those now just an amount the county council allocates to each fund? For 2027 Pay 2028, do any of those rates have a dollar or percent limitation?

Indiana Code § 6-3.6-6-4 states that the county's general-purpose revenue 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; and
- (6) homestead property tax credits to fund replacement of the county's property tax levy.

Therefore, CEDIT, public safety, PSAP, and correctional facilities will now be captured under the county’s general-purpose rate. There is no rate or revenue limit specific to each type, but the total general-purpose rate may not exceed 1.2%.

49. County general-purpose revenues may be used for any purpose of the county, including but not limited to property tax replacement credits for homesteads. Is this gone, or is this something new?

Yes. Indiana Code § 6-3.6-6-4(a)(6) states that the county’s general-purpose revenue may be used for homestead property tax replacement credits.

50. If 0.2% is allocated for general purpose revenues for nonmunicipal civil taxing units, then what does it mean when the statute specifies that the local income tax rate for a nonmunicipal civil taxing unit may not exceed 0.05% for any given unit type and distributions must be made on a per capita basis?

Indiana Code § 6-3.6-6-0.5 defines “nonmunicipal civil taxing unit” as civil taxing units that impose property taxes except counties, cities, towns, and school corporations. Indiana Code § 6-3.6-6-4.5 appears to say that any one type of nonmunicipal civil taxing unit (such as all townships in a county, for example) cannot collectively receive more than the amount of local income tax revenue generated by a 0.05% rate.

51. Will a state agency give a detailed breakdown of the local income tax, specifying which cities and towns are ineligible to adopt their own local income tax rate?

No state agency is directed to provide information on the populations of municipalities ineligible to adopt their own local income tax rate.

52. For small cities and towns, the statute permits the county unit to retain up to 75% of the dollars generated from a local income tax rate if the county unit has a rate of 1.2%. Does this 75% amount add to the 1.2 that can be used for the county's general purposes?

Indiana Code § 6-3.6-6-6.1(g) states that, after a county council imposes a general-purpose revenue rate of 1.2% and then later imposes a small city/town local income tax, 75% of the revenue from the small city/town local income tax rate will be retained by the county for use as general-purpose revenue. The 75% amount is considered a part of the small city/town local income tax and not the county's general purpose revenue local income tax. The county council may, however, elect to allocate a portion of the 75% share to the eligible cities and towns.

53. County solid waste management districts are not eligible for a local income tax distribution unless the county fiscal body passes a resolution approving a distribution. Is this just a dollar amount from the general-purpose revenues?

The provision in Ind. Code § 6-3.6-6-4.5, requiring county council approval before a county or joint SWMD may receive a distribution, is a carryover from current law. See Ind. Code § 6-3.6-6-11(d). The distribution to county and joint SWMDs will likely be determined from the amount generated from 0.05% of the LIT rate, and distributions to each unit is on a pro rata per capita basis, based on Ind. Code § 6-3.6-6-4.5(b).

54. Can you explain the new local income tax structure, including how the tax base is defined for each portion of the new local income tax rate structure? Also, who is the authorizing fiscal body for each part of the new local income tax rate?

The Department plans to issue future guidance on the implementation of the new LIT configuration enacted by SEA 1, as those provisions are effective July 1, 2027. To avoid confusion about what laws will be in effect in the immediate future due to recent legislation, the Department's legislative guidance previously released addresses changes to LIT laws that are effective July 1, 2025.

55. How do libraries adopt a local income tax?

Public libraries are unable to adopt their local income tax.

56. Will estimates of the anticipated impact to the new Homestead Property Tax Replacement Credit be provided to units during the budgeting process?

The Department plans to issue annual estimates in July, including property tax cap credits. The final format and the level of data disaggregated has not been finalized at this time. Further information will be communicated once the estimates have been released.

57. Will the time lag between processed collections and certified distributions change for local income tax under the new structure? Will supplemental local income tax distributions no longer exist? If so, what year will supplemental local income tax distributions no longer exist?

Indiana Code § 6-3.6-9-15 is repealed by Section 169 of SEA 1, effective January 1, 2028. The actions to be taken by the State Budget Agency, the Department, and the county auditor under this statute are therefore no longer to be taken on or after January 1, 2028. Therefore, supplemental distributions no longer exist after January 1, 2028.

TOWNSHIP ROAD FUNDING

58. A township must establish a Road and Infrastructure Fund and enter into a written memorandum of understanding with either the county or municipality. How do we determine whether the agreement should be with the county or the municipality?

House Enrolled Act 1461 does not indicate how that determination must be made.

Additionally, what happens if the township board opposes the transfers before the agreement is finalized?

Indiana Code § 36-6-10-3 states that before a township enters into a written memorandum of understanding ("MOU") with a county or municipality, the township board must adopt a resolution to provide money for the improvement and maintenance of roads and infrastructure. Ind. Code § 36-6-10-5 states that a transfer under this written MOU must be done in the same manner as a rainy day fund transfer. This question appears to be about the initial resolution to provide money under the written MOU, as opposed to a specific transfer. Such a question is better suited for the State Board of Accounts.

59. Will the 30% taken for roads under HEA 1461 be given back to the local government from which it was taken?

HEA 1461 does not provide for a reversion of the 30% balance of unrestricted funds or prohibit a reversion.

PROPERTY TAX DEFERRAL PROGRAM

60. If our county approved the property tax deferral program, does that mean that the property can't go to tax sale?

Indiana Code § 6-1.1-52-7 provides that a qualified individual may apply "to defer the due date" of the property taxes. As such, the deferred property taxes would not be due until 180 days after a "qualified deferral termination event." Because the deferred property taxes would not be considered delinquent until after that time, the property would not be eligible for tax sale until then.