



Department of Local Government Finance

Circuit Breaker Overview

Budget Division

April 21, 2021



DLGF Series Webinar: Circuit Breaker

- The presentation will try to answer:
 1. What are Property Tax Caps / Circuit Breaker?
 2. How is a Circuit Breaker loss calculated at a tax bill, taxing district, and a taxing unit level?
 3. How is the Circuit Breaker estimated by the Department in July, used during Budget Certification by the unit in November, and then calculated by the county in April?



Agenda

1. Budget Order Overview
 - Taxing Units versus Taxing Districts
2. Tax Bill 101
 - Calculation of Gross Tax Liability, Total Property Tax Liability, and Property Tax Caps
3. Circuit Breaker and the Budget
4. Frequently Asked Questions



DLGF Certified Budget Order Overview



Definitions – Taxing Unit

- Taxing Unit – A political subdivision with the power to impose taxes.
- Examples of taxing units include: counties, townships, cities/towns, schools, libraries, various special districts including airports, fire districts, or waste management districts.
- Each year, the units go through a process of adopting budgets and the Department goes through a process of certifying the unit's budget, rate, and levy.



Definitions – Certified Budget Order

- Budget Order – An order produced by the Department for each county by December 31/January 15.
 - Budget Orders can be found on the Department’s website:
 - <https://www.in.gov/dlgf/2339.htm>
- The Budget Order contains a list of each taxing unit and their:
 - Certified Appropriation
 - Certified Net Assessed Value
 - Certified Property Tax Levy
 - Certified Property Tax Rate



Definitions – Certified Budget Order

2021 Budget Order					
County: 32 Hendricks					
Unit: 0503 PLAINFIELD CIVIL TOWN					
<u>Fund</u>	<u>Fund Name</u>	<u>Certified Budget</u>	<u>Certified AV</u>	<u>Certified Levy</u>	<u>Certified Rate</u>
0101	GENERAL	\$14,600,790	\$2,524,439,317	\$4,147,654	\$0.1643
Budget approved for displayed amount.					
Rate reduced to remain within statutory levy limitation.					
0182	BOND #2	\$955,699	\$2,524,439,317	\$931,518	\$0.0369
Budget approved for displayed amount.					
Rate reduced due to reduction of operating balance according to IC 6-1.1-17-22.					

- The table above is an excerpt of the Hendricks County Budget Order including the town of Plainfield.
- The Certified Budget Order contains the certified budget, AV, levy, and rate for each taxing unit.
- The total tax rate for the Town of Plainfield is 0.8154.



Definitions – Taxing District

- Taxing District – Taxing districts are an organizational structure created for property tax bill purposes. A geographic area that is composed of multiple unique taxing units.
- The Department sums the certified tax rates for overlapping units in a geographic area to create a taxing district rate.
- The taxing district rate appears on each tax bill.
- A taxing unit may span multiple taxing districts, but each parcel exists in only a single taxing district.



Definitions – Certified Budget Order

		2021 TAX RATES (Per Taxing District)	
Year : 2021 County: 32 Hendricks		<i>FOR COMPARISON ONLY</i>	
<u>Taxing District</u>		<u>2021 District Rate</u>	<u>2020 District Rate</u>
001	Brown Township	2.1417	2.1320
002	Center Township	2.3445	2.3558
003	Town Of Danville	2.4065	2.4234
007	Eel River Township	2.0510	2.0484
008	Town Of North Salem	3.0282	3.0446
009	Franklin Township	1.1927	1.2681
010	Town Of Stilesville	1.6206	1.7009
011	Guilford Township	1.5444	1.5322
012	Town Of Plainfield	2.0910	2.0671

- The Budget Order also contains a listing of the taxing district rates for each taxing district in the county. The Town of Plainfield collects taxes from taxing districts 011, 012, 027, and 029. These four taxing districts include the 0.8154 certified rate for the town.



Definition – Taxing Unit and Taxing District

- Taxing District 012 is made up of the following units.

Taxing Unit	Certified Tax Rate
Hendricks County	.3163
Guilford Township	.0263
Plainfield Town	.8154
Plainfield Community School Corporation	.8567
Plainfield – Guilford Township Public Library	.0763
Hendricks County Solid Waste District	.0000
Total Tax Rate	2.0910



Tax Bill 101



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 – Overview

TABLE 1: SUMMARY OF YOUR TAXES		
ASSESSED VALUE AND TAX SUMMARY	2019 Pay 2020	2020 Pay 2021
1a. Gross assessed value of homestead property	90,000	100,000
1b. Gross assessed value of other residential property and farmland	0	0
1c. Gross assessed value of all other property, including personal property	0	0
2. Equals total gross assessed value of property	90,000	100,000
2a. Minus deductions (see Table 5 below)	63,750	67,250
3. Equals subtotal of net assessed value of property	26,250	32,750
3a. Multiplied by your local tax rate	3.0000	3.3000
4. Equals gross tax liability (see Table 3 below)	\$787.50	\$1,080.75
4a. Minus local property tax credits	0	0
4b. Minus savings due to property tax cap (see Table 2 and footnotes below)	0	\$80.75
4c. Minus savings due to over 65 circuit breaker credit	0	0
5. Total property tax liability (see remittance coupon for total amount due)	\$787.50	\$1,000

TABLE 2: PROPERTY TAX CAP INFORMATION		
Property tax cap (1%, 2%, or 3% depending upon combination of property types) ¹	\$900	\$1,000
Upward adjustment due to voter-approved projects and charges (e.g., referendum) ²	0	0
Maximum tax that may be imposed under cap	\$900	\$1,000

- Table 1 and Table 2 are taken from the State Form 53569. This section will focus on lines 1a to 3.



Tax Bill Definitions – Gross AV

TABLE 1: SUMMARY OF YOUR TAXES

ASSESSED VALUE AND TAX SUMMARY	2019 Pay 2020	2020 Pay 2021
1a. Gross assessed value of homestead property	90,000	100,000
1b. Gross assessed value of other residential property and farmland	0	0
1c. Gross assessed value of all other property, including personal property	0	0

- Gross AV (Line 1a, Line 1b, and Line 1c)
 - Determined by the local assessing official annually
 - Value of a property that reflects the market value-in-use of the land and the improvements
 - Gross AV approximates the market value-in-use of the property as compared to similar properties in the area



Tax Bill Definitions

- While generally considered a single value, AV separated into distinct property groups:
 1. Homestead property
 2. Residential property
 3. Long term care property
 4. Agricultural land
 5. Nonresidential real property
 6. Personal property
- The property group that the AV falls in may impact the tax bill calculation.



Tax Bill – Exemptions and Deductions

- Exemptions (<https://www.in.gov/dlgf/8818.htm>)
 - Exemptions involve a certain type of property, or the property of a certain kind of taxpayer, which is not taxable.
 - Application for exemption must be filed before April 1 of the assessment year with the county assessor.
- Deductions (<https://www.in.gov/dlgf/2344.htm>)
 - Deductions work by reducing the amount of assessed value a taxpayer pays on a given parcel of property.
 - Application for deductions must be completed and dated not later than December 31 annually.



Tax Bill Definitions – Net Assessed Value

2. Equals total gross assessed value of property	90,000	100,000
2a. Minus deductions (see Table 5 below)	63,750	67,250
3. Equals subtotal of net assessed value of property	26,250	32,750

While the tax bill begins with gross assessed value, the actual tax base or an individual’s tax liability is based on the net assessed value.

Net assessed value is the gross assessed value minus any number of qualifying exemptions or deductions for taxpayer or property.



Tax Bill – Gross and Net AV

	Standard Homestead	Church	Government Owned Property
Gross Assessed Value	100,000	100,000	100,000
Homestead Deduction	45,000		
Supp. Homestead Deduction	19,250		
Mortgage Deduction	3,000		
Religious Exemption		100,000	
Government Exemption			100,000
Net Assessed Value	32,750	0	0

- Exemptions and deductions are calculated and applied locally that reduce the property's tax liability without suppressing the property values.
- The county auditor certifies the net assessed value to Department by August 1 each year.



Tax Bill – Gross Tax Liability

- A taxpayer’s gross liability is a simple formula:

Net AV	Times	Taxing District Rate
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- The taxing district rate is comprised of the overlapping taxing unit rates, this formula can also be expressed as:

Net AV	Times	County Unit Rate
Net AV	Times	School Unit Rate
Net AV	Times	Township Unit Rate
Net AV	Times	City/Town Unit Rate
Net AV	Times	Library Unit Rate

* The tax rate is to be divided by 100



Tax Bill 101 – Overview

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4c. Minus savings due to over 65 circuit breaker credit	0	0
5. Total property tax liability (see remittance coupon for total amount due)	\$787.50	\$1,000

TABLE 2: PROPERTY TAX CAP INFORMATION		
Property tax cap (1%, 2%, or 3% depending upon combination of property types) ¹	\$900	\$1,000
Upward adjustment due to voter-approved projects and charges (e.g., referendum) ²	0	0
Maximum tax that may be imposed under cap	\$900	\$1,000

- This section focused on Line 1a through Line 3.



Tax Bill

Credits and Total Property Tax Liability



Tax Bill 101 – Overview

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Upward adjustment due to voter-approved projects and charges (e.g., referendum) ²	0	0
Maximum tax that may be imposed under cap	\$900	\$1,000

- Table 1 and Table 2 are taken from the State Form 53569.
- This section will focus on Line 4, 4a, 4b, 4c, and Line 5.



Tax Bill Definition - Credit

- Where exemptions and deductions reduce the taxable AV, tax bill credits reduces the Gross Tax Liability directly.
- After calculating the Gross Tax Liability, there are three specific credits that are applied to the tax bill.
 - 4A) Local Income Tax – Property Tax Relief Credit
 - 4B) Circuit Breaker Credit
 - 4C) Over 65 Circuit Breaker Credit

4. Equals gross tax liability (see Table 3 below)	\$787.50	\$1,080.75
4a. Minus local property tax credits	0	0
4b. Minus savings due to property tax cap (see Table 2 and footnotes below)	0	\$80.75
4c. Minus savings due to over 65 circuit breaker credit	0	0
5. Total property tax liability (see remittance coupon for total amount due)	\$787.50	\$1,000



Tax Bill Definition – LIT Property Tax Relief

- A county may choose to adopt a Local Income Tax rate to offer property tax relief for its taxpayers under (IC 6-3.6-5)
- Unlike LIT for Certified Shares, Public Safety, or Economic Development which is distributed monthly, LIT for property tax relief is included in the amount distributed by the county semi-annually.
- In 2020, 60 counties generated a total of \$427M in income tax that was applied to property tax bills.



Tax Bill Definition – LIT Property Tax Relief

- In addition to adopting a LIT rate, a county must also select which type(s) of property will receive the credit.

Property Tax Credit Allocation Categories (IC 6-3.6-5-6)

All Property Tax Allocation Categories

1% Allocation Type: Homesteads eligible for a credit under IC 6-1.1-20.6-7.5.

2% Allocation Type: Residential property, agricultural land, long term care property, and other tangible property eligible for a credit under IC 6-1.1-20.6-7.5.

3% Allocation Type: Nonresidential real property, personal property, and other tangible property eligible for a credit under IC 6-1.1-20.6-7.5.

Residential property, as defined in 6-1.1-20.6-4.



Tax Bill 101 – Circuit Breaker Cap/Credit

- The General Assembly shall (**Article 10 Indiana Constitution**) 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 (IC 6-1.1-20.6-7.5) 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.



Tax Bill 101 – CB Cap Calculation

	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	$\$1,000 = 100,000 * .01$	$\$2,000 = 100,000 * .02$	$\$3,000 = 100,000 * .03$

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.



Tax Bill 101 – 1% CB Credit Calculation

	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
Tax Rate	1.5000	3.5000	4.5000
Gross Liability	\$491	\$1,146	\$1,474
Property Tax Cap	\$1,000	\$1,000	\$1,000
CB Credit	0	146	474

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.



Tax Bill 101 – 2% CB Credit Calculation

	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
Tax Rate	1.5000	3.5000	4.5000
Gross Liability	\$1,500	\$3,500	\$4,500
Property Tax Cap	\$2,000	\$2,000	\$2,000
Tax Credit	0	1,500	2,500

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.



Tax Bill 101 – 3% CB Credit Calculation

	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
Tax Rate	1.5000	3.5000	4.5000
Gross Liability	\$1,500	\$3,500	\$4,500
Property Tax Cap	3,000	3,000	3,000
Tax Credit	0	500	1,500

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.



Tax Bill Definition – Over 65 CB Credit

- Under (IC 6-1.1-20.6) certain individuals may qualify for an the Over 65 CB credit.
- The credit is subject to age, income, AV value, and residency requirements.
- If eligible, the tax bill will not be able to increase by more than 2% from the previous year. The credit applied will equal the amount required to limit the tax bill growth.
- Over 65 Credit FAQ:
<https://www.in.gov/dlgef/files/181101%20-%20FAQ%20-%20Over%2065%20Guidance.pdf>



Circuit Breaker in Budgeting



Circuit Breaker in Budgeting

- For taxpayers:
 - Circuit breaker creates a maximum tax liability.
 - If gross tax liability exceeds the cap, a credit is applied.
 - The CB represents a savings.
- For taxing units:
 - The circuit breaker credit represents a portion of the certified levy that cannot be collected.
 - The CB represents a loss in revenue.



Tax Bill 101 – 1% CB Credit Calculation

	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
Tax Rate	1.5000	3.5000	4.5000
Gross Liability	\$491	\$1,146	\$1,474
Property Tax Cap	\$1,000	\$1,000	\$1,000
CB Credit	0	146	474

In example 3, there is \$474 of CB loss for this one property. What if there are 10, 100, or 1,000 properties in the area with similar CB profiles?



Circuit Breaker in Budgeting

- The circuit breaker loss estimates will be reported on the Form 4B as a reduction to the revenue.

Budget Year -	
Revenues	Advertised Amount
11. Property Tax Levy ⓘ	\$ 818,245
12. Property Tax Cap Impact ⓘ	\$ -233213
13. Miscellaneous Revenues ⓘ	\$ 946,984
14. Budget Year Total Revenues ⓘ	\$ 1,532,016

- 2021 4B Video: <https://youtu.be/6AoJcX0Q4w8>
- 2021 4B Template: [Interactive Template](#)



Circuit Breaker in Budgeting

- During the budgeting process, units estimate future expenses and revenue to be collected. This includes estimating the CB impact.
- On or before July 15, the Department will release a CB estimate for every unit in the State.
- While units are required to consider the impact of the CB, they are not required to use the Department's estimate.



Circuit Breaker in Budgeting

2020 Estimated Property Tax Cap Impact Report Bartholomew County

0000 BARTHOLOMEW COUNTY	Estimated Impact
Civil Max Levy Fund Credits	\$1,437,720
Debt Fund Credits	\$2,246
Total Estimated Credits	\$1,439,965

0001 CLAY TOWNSHIP	Estimated Impact
Civil Max Levy Fund Credits	\$720
Total Estimated Credits	\$720

0002 CLIFTY TOWNSHIP	Estimated Impact
Total Estimated Credits	\$0

0003 COLUMBUS TOWNSHIP	Estimated Impact
Civil Max Levy Fund Credits	\$112,200
Township Fire Credits	\$439
Total Estimated Credits	\$112,639

- In July 2021, the Department will release a 2022 CB estimate for all units.
- The Department’s estimates factor in prior year actual CBs, the results of the prebudget survey, and the MLGQ, but the Department will not know which funds will be adopted by the unit in the fall.
- So, the estimates are summarized by max levy type.



Circuit Breaker in Budgeting

- In April 2022, the Department will calculate and post CB Reports that contain the actual CB for each unit and each fund based on the actual tax data submitted on the County Abstract.
- Unlike the 2022 CB Estimates released in July of 2021, the CB Actual Report, the Department knows which funds were adopted and certified.

County Specific Information:

<https://www.in.gov/dlgf/2339.htm>



Circuit Breaker in Budgeting

Unit	Unit Type/Fund Name	Fund Code	Certified Levy	Levy Based on Abstract AV	Over 65 Circuit Breaker	1%/2%/3% Circuit Breaker	Total Circuit Breaker	Post-Circuit Breaker Levy	Exempt	Protected
ADAMS COUNTY	County		\$10,378,895	\$10,302,501.96	\$23,461.41	\$227,357.52	\$250,818.93	\$10,051,683.02		
	RAINY DAY	0061	\$0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	N	N
	GENERAL	0101	\$8,040,099	\$7,980,920.30	\$18,174.58	\$176,124.43	\$194,299.01	\$7,786,621.29	N	N
	2015 REASSESSMENT	0124	\$196,328	\$194,882.94	\$443.80	\$4,300.71	\$4,744.51	\$190,138.43	N	N
	CUMULATIVE COURT HOUSE	0590	\$59,210	\$58,774.22	\$133.84	\$1,297.04	\$1,430.88	\$57,343.34	N	N

- The CB Actual Report shows all certified funds and along with their Over 65 and 1%/2%/3% CB loss.



Circuit Breaker in Budgeting

The Department will not adjust a unit's budget based on the updated circuit breaker amounts, but units are encouraged to reconcile their 2021 CB estimates with their 2021 actual CBs.

All units will fall into one of three distinct scenarios.

- Scenario #1: CB Estimate was higher than actual.
 - Budget is fundable and unit's cash balance will increase.
- Scenario #2: CB Estimate was equal to actual CB.
 - Budget is fundable.
- **Scenario #3: CB Estimate was lower than actual CB.**
 - **Budget may not be fundable or cash balance may decrease.**



Circuit Breaker in Budgeting - Overestimating

Budget Year - 2021	
Revenues	
11. Property Tax Levy (16)	818,169
12. Property Tax Cap Impact	(233,213)
13. Miscellaneous Revenue (8b)	981,146
14. Budget Year Total Revenues	1,566,102
Expenses	
15. 2021 Budget Estimate (1)	1,931,431
...	
18. Operating Balance (11)	100,000 + \$31,213

Source: 1782 Notice's "Fund Report"

- In this example, the circuit breaker losses were overestimated by \$31,213 and the revised Operating Balance (ending cash balance) is increased by this amount.

Unit Type/Fund Name	Fund Code	Certified Levy	Levy Based on Abstract AV	Over 65 Circuit Breaker	1%/2%/3% Circuit Breaker	Total Circuit Breaker	Post-Circuit Breaker Levy
General	0101	818,245	820,000	2,000	200,000	202,000	618,000



Circuit Breaker in Budgeting - Underestimating

Budget Year - 2021	
Revenues	
11. Property Tax Levy (16)	818,169
12. Property Tax Cap Impact	(233,213)
13. Miscellaneous Revenue (8b)	981,146
14. Budget Year Total Revenues	1,566,102
Expenses	
15. 2021 Budget Estimate (1)	1,931,431
...	
18. Operating Balance (11)	100,000 - \$16,787

Source: 1782 Notice's "Fund Report"

- In this example, the circuit breakers losses were underestimated by \$16,787.
- This results in the Operating Balance being overstated by \$16,787, but the certified budget is still funded because the Op. Bal. is still positive.

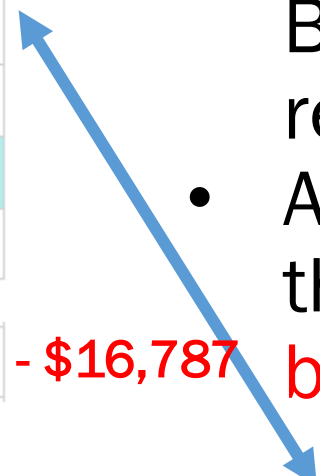
Unit Type/Fund Name	Fund Code	Certified Levy	Levy Based on Abstract AV	Over 65 Circuit Breaker	1%/2%/3% Circuit Breaker	Total Circuit Breaker	Post-Circuit Breaker Levy
General	0101	818,245	820,000	2,000	248,000	250,000	570,000



Circuit Breaker in Budgeting - Underestimating

Budget Year - 2021	
Revenues	
11. Property Tax Levy (16)	818,169
12. Property Tax Cap Impact	(233,213)
13. Miscellaneous Revenue (8b)	981,146
14. Budget Year Total Revenues	1,566,102
Expenses	
15. 2021 Budget Estimate (1)	1,931,431
...	
18. Operating Balance (11)	0

- \$16,787



- In this example, the circuit breakers losses were underestimated by \$16,787, but there is no Operating Balance to absorb this loss of revenue.
- According to current estimates, the **certified budget is unfunded by \$16,787.**

Source: 1782 Notice's "Fund Report"

Unit Type/Fund Name	Fund Code	Certified Levy	Levy Based on Abstract AV	Over 65 Circuit Breaker	1%/2%/3% Circuit Breaker	Total Circuit Breaker	Post-Circuit Breaker Levy
General	0101	818,245	820,000	2,000	248,000	250,000	570,000



Frequently Asked Questions



FAQ #1 – Increases in CB

- **Question #1: My unit's total tax rate was the same in 2020 and 2021, why is my unit seeing more CB loss in 2021?**
- The most common reason is the taxing district rate.
- The taxing district rate is made up of the tax rates for several units. While one unit's total tax rate may stay constant, the other units in the taxing district may increase their rate, which could trigger the circuit breaker.



FAQ #2 – Multi Use Parcels

- **Question #2a: My tax bill is for a multi use parcel. It is a combination of retail space and residential space. How is my circuit breaker cap calculated?**
- **Question #2b: My tax bill is for a multi use parcel. It is a combination of my home and farmland. How is my circuit breaker cap calculated?**



FAQ #2

TABLE 1: SUMMARY OF YOUR TAXES			
ASSESSED VALUE AND TAX SUMMARY	2020 Pay 2021	CB Cap Rate	CB Cap Amt
1a. Gross assessed value of homestead property	100,000	1%	\$1,000
1b. Gross assessed value of other residential property and farmland	50,000	2%	\$1,000
1c. Gross assessed value of all other property, including personal property	30,000	3%	\$ 900
2. Equals total gross assessed value of property	180,000	Total CB Cap	\$2,900

- On Lines 1a, 1b, and 1c , the tax bill summarizes and separates the various types of AV on the bill.
- For multi use parcels, the CB cap is calculate multiplying the type of property by the 1%, 2%, or 3%, then summing the values together to calculate the total CB cap.



FAQ #3 – CB Cap Calculation

- **Question 3a: My school system just passed an Operating, Capital, or School Safety referendum, how will this impact my tax bill?**
- **Question 3b: I have reviewed my CB cap, and it's higher than the 1%, 2%, or 3% of my Gross AV?**
- **Question 3c: What does it mean for a fund to be exempt from CB?**



FAQ #3 – CB Cap Calculation

TABLE 2: PROPERTY TAX CAP INFORMATION

Property tax cap (1%, 2%, or 3% depending upon combination of property types) ¹	\$900	\$900
Upward adjustment due to voter-approved projects and charges (e.g., referendum) ²	0	200
Maximum tax that may be imposed under cap	\$900	\$1,100

- Charges not subject to the property tax caps include property tax levies approved by voters through a referendum. When added to the base tax cap amount for your property, this creates the effective tax cap.
- Information regarding the referendums proposed during the most recent elections can be located online at www.in.gov/dlgf/8789.htm.



FAQ #3 – CB Cap Calculation

- The certified tax rates for the exempt funds will increase the property tax cap for a parcel.
- If the parcel is at their already tax cap, the tax cap will be increased to ensure that property tax is collected for the exempt funds.
- Exempt funds will never experience circuit breaker loss.



FAQ #3 – CB Cap Calculation

	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.
Tax Rate	4.5000	4.7500	Rate increase of .25.
Gross Liability	\$1,474	\$1,556	Gross Liability increased.
Property Tax Cap	\$1,000	\$1,000	100,000 * .01 = \$1,000
CB Credit	474	556	CB Loss Increased by \$82.

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.



FAQ #3 – CB Cap Calculation

	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.
Tax Rate	4.5000	4.7500	Rate increase due to Voter Approved Referendum of .25.
Gross Liability	\$1,474	\$1,556	Gross Liability increased.
Property Tax Cap	\$1,000	\$1,082	$(.25 * 32,750) / 100 = \$82$ $100,000 * .01 = \$1,000$
CB Credit	474	474	No change in the CB loss.

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.



Circuit Breaker Preparation



Circuit Breaker Preparation

- The presentation is an introduction to circuit breakers and budget orders, over the next few weeks, all units are encouraged to:
 1. Contact your FR if you have more questions about this presentation or about CBs in general.
 2. Review and reconcile your 2021 CB Estimate and your 2021 Actual CB amounts.
 3. Compare your 2020 Actual CB amounts and 2021 CB amounts as you work on your 2022 estimates.



Contact Us

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https://www.in.gov/dlgf/files/Budget_Field_Reps.pdf

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