# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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## *Certification of Local Option Income Tax – Budget Year 2011*
*Rush County*

**New Legislation Update:** HEA 1086-2010 extends the deadline by which a county may adopt a Local Option Income Tax (LOIT). An ordinance to adopt any of the LOIT options described below may be adopted anytime **before November 1, 2010.** For further information, please visit this link: http://www.in.gov/dlgf/files/100416_-_Bailey_Memo_-_HEA_1086_Guidance_-_Changes_to_Local_Option_Income_Tax.pdf

### Operating (Levy Freeze) LOIT

The Operating (Levy Freeze) LOIT effectively freezes the maximum property tax levies for an adopting county's civil units of government and replaces the annual maximum levy growth with income tax (LOIT) proceeds. This rate is capped at 1% and is annually recertified for each county by the Department of Local Government Finance ("DLGF").

**Please Note:** Indiana Code 6-3.5-6-30, subsection (h) dictates that once adopted, a rate for Operating (Levy Freeze) LOIT is permanent: "[...] a county income tax council may not decrease or rescind a tax rate imposed under this chapter." Also, once a rate is adopted for the Operating (Levy Freeze) LOIT, property tax maximum permissible levies are frozen as of the year of adoption and cannot grow annually as they normally would.

Indiana Code 6-3.5-6-30 requires the DLGF and the Department of Revenue ("DOR") to certify the COIT rate that must be imposed in a county to raise tax revenues as specified. The rate that the DLGF certifies MUST be adopted by the governing body for each of the first two years (2011 and 2012). Therefore, the DLGF and the DOR certify the following rates for Rush County:

| | 2011 | 2012 |
|---|---|---|
| **Estimated Amount Needed:** | 243,793 | 503,305 |
| **Corresponding Income Tax Rate:** | 0.0967 | *0.1997* |
| **Income Tax Rate including first year Stabilization Fund*:** | *0.1936%* | *0.1997%* |

* The DLGF-Certified Levy Freeze **Income Tax Rate** for 2011 is the rate that must appear in an adoption ordinance. This rate has been doubled to include the portion of the rate required for the stabilization fund.

Dated this 2nd day of August, 2010.

**Brian Bailey, Commissioner**
**Department of Local Government Finance**

## Other LOIT Options

**Property Tax Relief LOIT**

Indiana Code 6-3.5-6-32 also allows a county to adopt an additional COIT to:

1. Provide local property tax replacement credits to all property;
2. Provide or increase the homestead credit percentage uniformly; or
3. Provide local property tax replacement credits to qualified residential property.

This additional COIT can be raised in increments of 0.05% up to a maximum of 1.00%.

**Public Safety LOIT**

Indiana Code 6-3.5-6-31 also allows a county to adopt an additional COIT for Public Safety. In order to adopt this additional COIT, a county must have adopted a 0.25% rate for the additional COIT for Operating (Levy Freeze), the COIT for Property Tax Relief, or a combination of both. The Public Safety COIT rate can be adopted up to a maximum of 0.25%.