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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** All Taxing Units  
**FROM:** Matthew Parkinson, Deputy Commissioner  
**SUBJECT:** Estimates of 2018 Property Tax Cap Credits  
**DATE:** August 1, 2017

The Department of Local Government Finance (“Department”) is issuing this memorandum to inform taxing units that the Department has released its estimates of property tax cap credits for the 2018 budget year. The credit estimates may be found on the Department’s website at <http://in.gov/dlgf/2339.htm>, located under the Statewide Reports section. Reports will be posted to individual county pages over the next week.

The calculations are performed and published pursuant to Indiana Code (“IC”) 6-1.1-20.6-11.1. Under this statute, the Department must annually calculate estimates of the property tax cap credit impact for taxing units.

This is the second year that the Department has performed the tax cap credit estimate calculations. A description of the calculation procedures and changes relative to the 2017 estimates may be found below.

The Department calculated property tax cap credit impact per taxing unit using the following inputs:

- The Department’s 2018 maximum levy estimates
- The Department’s 2018 cumulative fund estimates
- The Department’s 2018 debt service levy estimates
- Pay 2017 tax bills
- 2017 Certified Net Assessed Values

To calculate the estimated tax cap credits, the Department used the following high-level steps:

1. Calculate estimated taxing unit levies.
2. Calculate estimated taxing unit tax rates based upon estimated levies and 2017 certified net assessed values.
3. Sum rates to arrive at a projected taxing district tax rate.
4. Multiply the tax rate by individual taxpayer assessed values based upon 2017 tax bill data, computing parcel-level property tax cap credits for 2018.
5. Sum the parcel-level credits to a taxing district level.
6. Allocate the 2018 property tax cap credits to taxing units.

The Department makes the following notes about its estimates:

- Because the Assessed Value Growth Quotient (AVGQ) for this year is 4.0%, the Department projects that levies in 2018 will be higher than they were in 2017.
- The Department used levy adjustment estimates provided by taxing units during the May-June pre-budget data collection survey administered through Gateway. Levy adjustments include county adjustments for mental health and developmental disabilities and city/town and county adjustments for a Cumulative Capital Development Fund (CCD). This process differs from the 2017 estimates, when the Department assumed each county would take the maximum allowable adjustments.
- For debt service levies, the Department used the estimated June 30 cash balance provided by taxing units during the pre-budget survey. The Department also assumed that each taxing unit will have 90% of estimated 2017 miscellaneous revenues for each debt service fund. These assumptions differ from the 2017 estimates, which assumed a \$0 cash balance and no miscellaneous revenues.
- Because the Department does not yet have Pay 2018 assessed value data available for most counties, rates are calculated on Pay 2017 assessed values.

The Department notes that its estimates, while lower than the 2017 estimates, remain conservative. In particular, for taxing units in taxing districts with assessed values expected to grow for the 2018 budget cycle, the estimated tax rates and property tax cap credits may be high.

An Excel tool that taxing units may choose to use to help allocate tax cap credits among their funds is available at: <http://in.gov/dlgf/2339.htm>, located under the Statewide Reports section.

Following the release of these estimates, IC 6-1.1-17-3.6 requires each county council, at its first meeting in August of each year, to review the Department's estimated levy limits and estimated property tax cap credits as part of the council's non-binding review.

IC 6-1.1-17-3 requires each political subdivision to "consider the net property tax revenue that will be collected by the political subdivision during the ensuing year, after taking into account" the Department's estimated property tax cap credits. IC 6-1.1-17-3 also requires each political subdivision's Form 3: Notice to Taxpayers to include the Department's tax cap credit estimates. The Department has populated the property tax cap credits into Gateway on behalf of political subdivisions.

As was the case with 2017 budgets, the Department notes that its estimates of property tax cap credits are not binding. If a unit utilizes a tax cap impact figure in adopting its budget that turns out to be greater than the actual impact, the unit can use the additional appropriation process to adjust its budget for the actual revenue received.

Questions related to this memorandum and the estimates may be directed to Deputy Commissioner Matthew Parkinson at (317) 232-3759 or [mparkinson@dlgf.in.gov](mailto:mparkinson@dlgf.in.gov). Questions may also be directed to the Department's Budget Field Representative team. Contact information for Budget Field Representatives may be found at [http://www.in.gov/dlgf/files/Field\\_Rep\\_Map\\_-\\_Budget.pdf](http://www.in.gov/dlgf/files/Field_Rep_Map_-_Budget.pdf).