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# STATE OF INDIANA

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**TO:** County Auditors and County Treasurers

**FROM:** Tera Klutz, Auditor of State  
Paul Joyce, State Examiner, State Board of Accounts  
Wesley Bennett, Commissioner, Department of Local Government Finance

**RE:** Business Personal Property Exemption Local Service Fee Distribution

**DATE:** August 13, 2019

**This memorandum is provided to assist county auditors and county treasurers with recording and allocating the local service fee and applies only to those counties that imposed a local service fee on the filing of business personal property exemptions as allowed under Indiana Code 6-1.1-3-7.3.**

Pursuant to IC 6-1.1-3-7.2, a taxpayer's business personal property is exempt from taxation if its total acquisition cost within a county is less than \$40,000. IC 6-1.1-3-7.3, which granted county fiscal bodies the option to impose a local service fee on each person that indicates that his or her personal property is exempt under IC 6-1.1-3-7.2, was repealed by Senate Enrolled Act 233-2019 ("SEA 233"), effective July 1, 2019. **Therefore, the local service fee can no longer be billed after July 1, 2019.**

The above-referenced agencies issue this memorandum on how to receipt revenue collected from any as yet uncollected local service fees and distribute the revenue from the May 10 tax bills. While IC 6-1.1-3-7.3 has been repealed, County Treasurers and Auditors should still follow its instructions with any remaining local service fees.

Any fees collected by the County Treasurer will be certified on the 49TC in the other collection section. The County Auditor will receipt the local service fee certified collection into Fund 6052 per SBOA's chart of accounts using revenue code R506.

For the distribution of remaining fees, the county auditor will allocate and distribute this revenue to each applicable taxing unit according to the instructions below.

## **Allocation of Local Service Fee Revenue**

Prior to repeal, IC 6-1.1-3-7.3(d) stated that "the revenue from a local service fee:

- (1) Shall be allocated in the same manner and proportion and at the same time as property taxes are allocated to each taxing unit in the county; and
- (2) May be used by a taxing unit for any lawful purpose of the taxing unit."

Due to the manner in which the business personal property exemption under IC 6-1.1-3-7.2 is to be filed with the county, county auditors are often not able to associate revenue collected from the local service fee with a particular taxing district. Based on this, the countywide fee revenue may be allocated to applicable taxing units based on a taxing unit's proportion of the countywide property tax levy. Additionally, we will not take exception to a county using tax district rates if the location of the BPP can be determined and property assigned to a tax district.

To allocate the local service fee, a county should calculate a factor for each applicable taxing unit. The factor is the taxing unit's certified levy for the calendar year divided by the overall certified levy for all taxing units in the county for the same calendar year. To determine a taxing unit's proportion of the county's overall revenue from a fee imposed under IC 6-1.1-3-7.3, the factor should be multiplied by the total money available for distribution.

An Excel file is provided with this memorandum to assist counties with calculations for 2017, 2018, and 2019. Counties that have not yet distributed money collected for a fee imposed under IC 6-1.1-3-7.3 are encouraged to do so as soon as possible for settlement. When distributing the local service fee revenue, the county auditor should provide documentation to the taxing units on the amount being distributed to the unit, specifically identifying it as revenue from the local service fee. This documentation may be accomplished using a Form 22 or could be in some other format. County auditors should maintain a copy of the allocation calculation and distribution documentation for SBOA review.

DLGF maintains a webpage listing counties that have imposed the local service fee, with a copy of each ordinance available for review by taxpayers. These ordinances can be found at <http://in.gov/dlgf/7576.htm>. If your county has a local service fee, and it is not listed on the website, please email a copy of the ordinance to DLGF.

### **Receipt of Local Service Fee Revenue by Taxing Units**

A taxing unit receiving a distribution of the local service fee revenue should receipt the revenue into the General Fund. Revenue code R506 should be used by civil taxing units for reporting this revenue to SBOA and DLGF. School corporations should use revenue code 2940.

For county units, the information below summarizes the flow of the local service fee revenue from collection through receipt by the county unit.

- **Collection:** Collect countywide local service fee revenue into Fund 6052. Use revenue code R506 for the receipt of the revenue into this fund.
- **Allocation and Distribution:** Using the provided Excel workbook, calculate the allocation of the local service fee revenue to each taxing unit in the county based on a taxing unit's proportion of the countywide levy. Distribute the revenue to taxing units using disbursement code D703.
- **Receipt of County Revenue:** For the county's portion of the local service fee revenue, the county unit should receipt this revenue into the General Fund using revenue code R506.

## **Late Assessment Penalty**

The Late Assessment Penalty associated with the Local Service Fee, as prescribed in IC 6-1.1-37-7(f), should be included and apportioned in settlement to the appropriate taxing units. This includes any Late Assessment Penalty dollars previously deposited into fund 6053 BPP Late Assessment Penalty that have not been distributed.

### **Contact Information**

Questions may be directed to any of the following:

- Auditor of State: Local Government Division (317) 232-3309  
[LocalGovernment@auditor.in.gov](mailto:LocalGovernment@auditor.in.gov)
- DLGF: Fred Van Dorp, Budget Director (317) 234-3937 [fvandorp@dlgf.in.gov](mailto:fvandorp@dlgf.in.gov)
- SBOA: Lori Rogers, County Director (317) 232-2512 [lrogers@sboa.in.gov](mailto:lrogers@sboa.in.gov)