# STATE OF INDIANA

Mitchell E. Daniels, Jr.
Governor

**STATE BUDGET AGENCY**
**212 State House**
**Indianapolis, Indiana 46204-2796**
**317/232-5610**

Adam M. Horst
Director


MEMORANDUM

TO: Fiscal Officers of All Taxing Units

FROM: Adam M. Horst, State Budget Director

RE: Supplemental distributions of local option income tax balances

DATE: May 24, 2011

HEA 1001-2011 amended IC 6-3.5-1.1-21.1 (County Adjusted Gross Income Tax), IC 6-3.5-6-17.3 (County Option Income Tax), and IC 6-3.5-7-17.3 (County Economic Development Income Tax) which govern the disposition of undistributed local income taxes. Prior to the passage of this legislation, the State Budget Agency was required to annually send a supplemental distribution of local income tax revenue equal to the full undistributed balance in an account. Beginning with the determinations to be made by the State Budget Agency before October 2, 2011, a supplemental distribution may only be made if a county's undistributed balance exceeds one-hundred fifty percent (150%) of the certified distribution for the year following the determination date. In the event that a county's undistributed balance meets this threshold, a supplemental distribution will be made in January of the following year equal to the amount by which the undistributed balance exceeds one-hundred fifty percent (150%) of the certified distribution for the year following the determination date.

Indiana Code permits a county to adopt certain rates in addition to the CAGIT, COIT, or CEDIT base rates authorized in IC 6-3.5-1.1-2, IC 6-3.5-6-8, and IC 6-3.5-7-5. Such additional rates include CEDIT homestead credit rates, levy freeze rates, property tax relief rates, public safety rates, and special county rates for correctional facilities. HEA 1001-2011 specifies that supplemental distributions of undistributed balances attributable to such tax rates must be used for those specific purposes and do not have to be deposited in the rainy day funds of local units.

In making the determinations required before October 2 of a particular year, the State Budget Agency will continue to use only undistributed balances that have been calculated based on final, audited collection amounts.

If you need additional information, please contact Bob Lain at (317) 232-3471 or blain@sba.in.gov.