

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6139**  
**BILL NUMBER: SB 83**

**DATE PREPARED:** Nov 9, 1999  
**BILL AMENDED:**

**SUBJECT:** Tax credit for low income elderly homeowners.

**FISCAL ANALYST:** Bob Sigalow  
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**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues			
State Expenditures			16,800,000
Net Increase (Decrease)			(16,800,000)

**Summary of Legislation:** This bill provides a property tax credit to homestead owners who are at least 65 years of age and who have adjusted gross incomes of less than \$30,000. It provides that the credit for an individual with no adjusted gross income is equal to one-half of the net property tax bill on the individual's homestead, and provides that the credit is phased out as the individual's adjusted gross income approaches \$30,000. The bill provides that the property tax credit is payable from the Property Tax Replacement Fund and it appropriates money from the Property Tax Replacement Fund to pay for the property tax credits.

**Effective Date:** January 1, 2001.

**Explanation of State Expenditures:** Under this proposal, homeowners who are least 65 years old by December 31 of the assessment year may file a statement with the county auditor claiming a credit against their net property tax bill. The credit would be pro-rated based on income. The maximum credit would be equal to one-half of a taxpayer's net property tax bill for a taxpayer with no adjusted gross income. The credit would be phased out completely by the time that a taxpayer's income reaches \$30,000.

In CY 2002, the net property tax to be paid by all homeowners age 65 and over regardless of income is estimated at about \$450 M. The amount of the credit under this bill is estimated at \$33.5 M in CY 2002, \$34.3 M in CY 2003, and \$35.0 M in CY 2004. On a fiscal year basis, the cost of the credit to the state is

estimated at \$16.8 M in FY 2002 (½ year), \$33.9 M in FY 2003, and \$34.7 M in FY 2004.

This credit would be paid from the Property Tax Replacement Fund (PTRF). This fund is annually supplemented by the General Fund to meet obligations. An increase of expenditures from the PTRF would ultimately impact the General Fund.

**Explanation of State Revenues:** The credit would also have an effect on the cost of the state income tax deduction for homestead property tax payments up to \$2,500. This deduction was enacted by P.L. 273 -1999 and is effective for tax years beginning January 1, 1999. Since the property tax bills for those taxpayers that qualify for this new property tax credit would be reduced under this bill, the amount of the income tax deduction that they would qualify for would also be reduced. The reduction in the amount claimed would result in gain in state revenue estimated at about \$1.1 million each in FY 2003 and FY 2004. Revenue from the Adjusted Gross Income Tax is deposited in the General Fund.

**The net cost of the property tax credit to the state (credit cost less income tax gain) is estimated at \$16.8 M in FY 2002, \$32.8 M in FY 2003, and \$33.6 M in FY 2004.** This impact assumes that all eligible recipients of the proposed credit will file for the credit as soon as it would be effective.

**Explanation of Local Expenditures:** Local governments would be responsible for printing and processing the claim forms for the credit. This would create an indeterminable cost increase for the County Auditor's offices.

**Explanation of Local Revenues:** There would be no impact on local tax revenues. Local units of government would continue to receive the same total tax revenues, regardless of the source.

**State Agencies Affected:** State Board of Tax Commissioners; Indiana Department of Revenue.

**Local Agencies Affected:** County Auditors.

**Information Sources:** Property Tax Analysis, State Board of Tax Commissioners; Local Government Database; U.S. Dept. of Commerce, Bureau of the Census; Consumer Expenditure Survey, U.S. Bureau of Labor and Statistics.