



Reprinted  
April 12, 2001

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# ENGROSSED HOUSE BILL No. 1902

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DIGEST OF HB 1902 (Updated April 11, 2001 3:18 PM - DI 52)

**Citations Affected:** IC 4-33; IC 6-1.1; IC 6-3.1; IC 6-3.5; IC 6-8.1; IC 33-3; noncode.

**Synopsis:** Property tax and municipal option income tax. Permits the use of gaming admissions tax revenue to reduce property tax levies. Requires the state board of tax commissioners (state board) to contract with an accounting firm with respect to Lake County to: (1) report on expenditures from the county reassessment fund; (2) reassess real property for the general reassessment to be completed for the March 1, 2002, assessment date; and (3) review succeeding general reassessments to identify assessment disparities that are then subject to correction by the state board. Provides that a taxpayer may appeal the March 1, 2002, reassessment value to the state board. Requires  
(Continued next page)

**Effective:** January 1, 2001 (retroactive); upon passage; July 1, 2001; January 1, 2002.

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## Stevenson, Aguilera, Lawson L, Dumezich

(SENATE SPONSORS — LANDSKE, ROGERS, ANTICH)

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January 17, 2001, read first time and referred to Committee on Local Government.  
February 21, 2001, amended, reported — Do Pass.  
February 27, 2001, read second time, ordered engrossed.  
February 28, 2001, engrossed.  
March 6, 2001, read third time, recommitted to Committee of One, amended; passed. Yeas 92, nays 0.  
March 7, 2001, re-engrossed.

SENATE ACTION

March 15, 2001, read first time and referred to Committee on Finance.  
April 5, 2001, amended, reported favorably — Do Pass.  
April 11, 2001, read second time, amended, ordered engrossed.

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EH 1902—LS 7682/DI 94+



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township assessors and the county assessor to provide support and information to the state board for the Lake County general reassessment, and provides for enforcement through the tax court of a request by the state board for information. Beginning with the 2004 reassessment date, directs the state board (instead of the township assessor) to assess major industrial properties in Lake County. Permits municipalities in Lake County to impose a municipal option income tax. Requires a public hearing before adoption of the tax. Requires a municipality to annually reduce its budget by at least 3% to retain the tax. Provides that the maximum permissible general fund property tax levy of a municipality is frozen as long as the tax is in effect. The revenue from the tax is used to reduce the adopting municipality's property tax levy. Provides that the tax may not continue in effect after December 31, 2005. Provides a state income tax credit for property tax paid on homesteads for certain low income taxpayers in Lake County. Provides that the credit is funded from gaming admissions tax revenue that would otherwise be paid to Lake County and the three largest cities by population in the county. Makes conforming amendments.

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Reprinted  
April 12, 2001

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

## ENGROSSED HOUSE BILL No. 1902

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A BILL FOR AN ACT to amend the Indiana Code concerning local government.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 4-33-12-6 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) The  
3 department shall place in the state general fund the tax revenue  
4 collected under this chapter.  
5 (b) Except as provided by subsection (c) **and IC 6-3.1-20-7**, the  
6 treasurer of state shall quarterly pay the following amounts:  
7 (1) One dollar (\$1) of the admissions tax collected by the licensed  
8 owner for each person embarking on a riverboat during the  
9 quarter shall be paid to:  
10 (A) the city in which the riverboat is docked, if the city:  
11 (i) is described in IC 4-33-6-1(a)(1) through  
12 IC 4-33-6-1(a)(4) or in IC 4-33-6-1(b); or  
13 (ii) is contiguous to the Ohio River and is the largest city in  
14 the county; and  
15 (B) the county in which the riverboat is docked, if the  
16 riverboat is not docked in a city described in clause (A).  
17 (2) One dollar (\$1) of the admissions tax collected by the licensed

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1 owner for each person embarking on a riverboat during the  
 2 quarter shall be paid to the county in which the riverboat is  
 3 docked. In the case of a county described in subdivision (1)(B),  
 4 this one dollar (\$1) is in addition to the one dollar (\$1) received  
 5 under subdivision (1)(B).

6 (3) Ten cents (\$0.10) of the admissions tax collected by the  
 7 licensed owner for each person embarking on a riverboat during  
 8 the quarter shall be paid to the county convention and visitors  
 9 bureau or promotion fund for the county in which the riverboat is  
 10 docked.

11 (4) Fifteen cents (\$0.15) of the admissions tax collected by the  
 12 licensed owner for each person embarking on a riverboat during  
 13 a quarter shall be paid to the state fair commission, for use in any  
 14 activity that the commission is authorized to carry out under  
 15 IC 15-1.5-3.

16 (5) Ten cents (\$0.10) of the admissions tax collected by the  
 17 licensed owner for each person embarking on a riverboat during  
 18 the quarter shall be paid to the division of mental health. The  
 19 division shall allocate at least twenty-five percent (25%) of the  
 20 funds derived from the admissions tax to the prevention and  
 21 treatment of compulsive gambling.

22 (6) Sixty-five cents (\$0.65) of the admissions tax collected by the  
 23 licensed owner for each person embarking on a riverboat during  
 24 the quarter shall be paid to the Indiana horse racing commission  
 25 to be distributed as follows, in amounts determined by the Indiana  
 26 horse racing commission, for the promotion and operation of  
 27 horse racing in Indiana:

28 (A) To one (1) or more breed development funds established  
 29 by the Indiana horse racing commission under IC 4-31-11-10.

30 (B) To a racetrack that was approved by the Indiana horse  
 31 racing commission under IC 4-31. The commission may make  
 32 a grant under this clause only for purses, promotions, and  
 33 routine operations of the racetrack. No grants shall be made  
 34 for long term capital investment or construction and no grants  
 35 shall be made before the racetrack becomes operational and is  
 36 offering a racing schedule.

37 (c) With respect to tax revenue collected from a riverboat that  
 38 operates on Patoka Lake, the treasurer of state shall quarterly pay the  
 39 following amounts:

40 (1) The counties described in IC 4-33-1-1(3) shall receive one  
 41 dollar (\$1) of the admissions tax collected for each person  
 42 embarking on the riverboat during the quarter. This amount shall

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- 1 be divided equally among the counties described in  
 2 IC 4-33-1-1(3).  
 3 (2) The Patoka Lake development account established under  
 4 IC 4-33-15 shall receive one dollar (\$1) of the admissions tax  
 5 collected for each person embarking on the riverboat during the  
 6 quarter.  
 7 (3) The resource conservation and development program that:  
 8 (A) is established under 16 U.S.C. 3451 et seq.; and  
 9 (B) serves the Patoka Lake area;  
 10 shall receive forty cents (\$0.40) of the admissions tax collected  
 11 for each person embarking on the riverboat during the quarter.  
 12 (4) The state general fund shall receive fifty cents (\$0.50) of the  
 13 admissions tax collected for each person embarking on the  
 14 riverboat during the quarter.  
 15 (5) The division of mental health shall receive ten cents (\$0.10)  
 16 of the admissions tax collected for each person embarking on the  
 17 riverboat during the quarter. The division shall allocate at least  
 18 twenty-five percent (25%) of the funds derived from the  
 19 admissions tax to the prevention and treatment of compulsive  
 20 gambling.  
 21 (d) Money paid to a unit of local government under subsection  
 22 (b)(1) through (b)(2) or subsection (c)(1):  
 23 (1) must be paid to the fiscal officer of the unit and may be  
 24 deposited in the unit's general fund or riverboat fund established  
 25 under IC 36-1-8-9, or both;  
 26 (2) may not be used to reduce the unit's maximum ~~or actual~~ levy  
 27 under IC 6-1.1-18.5, **but may be used at the discretion of the**  
 28 **unit to reduce the property tax levy of the unit for a**  
 29 **particular year; and**  
 30 (3) may be used for any legal or corporate purpose of the unit,  
 31 including the pledge of money to bonds, leases, or other  
 32 obligations under IC 5-1-14-4; **and**  
 33 **(4) is considered miscellaneous revenue.**  
 34 (e) Money paid by the treasurer of state under subsection (b)(3)  
 35 shall be:  
 36 (1) deposited in:  
 37 (A) the county convention and visitor promotion fund; or  
 38 (B) the county's general fund if the county does not have a  
 39 convention and visitor promotion fund; and  
 40 (2) used only for the tourism promotion, advertising, and  
 41 economic development activities of the county and community.  
 42 (f) Money received by the division of mental health under

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1 subsections (b)(5) and (c)(5):

2 (1) is annually appropriated to the division of mental health;

3 (2) shall be distributed to the division of mental health at times  
4 during each state fiscal year determined by the budget agency;  
5 and

6 (3) shall be used by the division of mental health for programs  
7 and facilities for the prevention and treatment of addictions to  
8 drugs, alcohol, and compulsive gambling, including the creation  
9 and maintenance of a toll free telephone line to provide the public  
10 with information about these addictions. The division shall  
11 allocate at least twenty-five percent (25%) of the money received  
12 to the prevention and treatment of compulsive gambling.

13 SECTION 2. IC 6-1.1-4-32 IS ADDED TO THE INDIANA CODE  
14 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
15 UPON PASSAGE]: **Sec. 32. (a) As used in this section, "qualifying  
16 county" means a county having a population of more than four  
17 hundred thousand (400,000) but less than seven hundred thousand  
18 (700,000).**

19 **(b) Notwithstanding IC 6-1.1-4-15 and IC 6-1.1-4-17, a township  
20 assessor in a qualifying county may not appraise property, or have  
21 property appraised, for the general reassessment of real property  
22 to be completed for the March 1, 2002, assessment date.  
23 Completion of that general reassessment in a qualifying county is  
24 instead governed by this section. The only duty of:**

25 **(1) a township assessor in a qualifying county; or**

26 **(2) a county assessor of a qualifying county;**

27 **with respect to that general reassessment is to provide to the state  
28 board of tax commissioners or the state board's contractor under  
29 subsection (c) any support and information requested by the state  
30 board or the contractor.**

31 **(c) The state board of tax commissioners shall select and  
32 contract with a nationally recognized certified public accounting  
33 firm with expertise in the appraisal of real property to appraise  
34 property for the general reassessment of real property in a  
35 qualifying county to be completed for the March 1, 2002,  
36 assessment date. The contract applies for the appraisal of land and  
37 improvements with respect to all classes of real property in the  
38 qualifying county. The contract must include:**

39 **(1) a provision requiring the appraisal firm to:**

40 **(A) prepare a detailed report of:**

41 **(i) expenditures made after July 1, 1999, and before the  
42 date of the report from the qualifying county's**

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- 1 reassessment fund under IC 6-1.1-4-28; and  
 2 (ii) the balance in the reassessment fund as of the date of  
 3 the report; and  
 4 (B) file the report with:  
 5 (i) the legislative body of the qualifying county;  
 6 (ii) the prosecuting attorney of the qualifying county;  
 7 (iii) the state board of tax commissioners; and  
 8 (iv) the attorney general;  
 9 (2) a fixed date by which the appraisal firm must complete all  
 10 responsibilities under the contract;  
 11 (3) a provision requiring the appraisal firm to use the land  
 12 values determined for the qualifying county under  
 13 IC 6-1.1-4-13.6;  
 14 (4) a penalty clause under which the amount to be paid for  
 15 appraisal services is decreased for failure to complete  
 16 specified services within the specified time;  
 17 (5) a provision requiring the appraisal firm to make periodic  
 18 reports to the state board of tax commissioners;  
 19 (6) a provision stipulating the manner in which, and the time  
 20 intervals at which, the periodic reports referred to in  
 21 subdivision (5) are to be made;  
 22 (7) a precise stipulation of what service or services are to be  
 23 provided;  
 24 (8) a provision requiring the appraisal firm to deliver a report  
 25 of the assessed value of each parcel in a township in the  
 26 qualifying county to the state board of tax commissioners; and  
 27 (9) any other provisions required by the state board of tax  
 28 commissioners.  
 29 (d) After receiving the report of assessed values from the  
 30 appraisal firm, the state board of tax commissioners shall give  
 31 notice to the taxpayer and the county assessor, by mail, of the  
 32 amount of the reassessment. The notice of reassessment is subject  
 33 to appeal by the taxpayer to the state board of tax commissioners.  
 34 Except as provided in subsection (e), the procedures and time  
 35 limitations that apply to an appeal to the state board of tax  
 36 commissioners of a determination of the county property tax  
 37 assessment board of appeals under IC 6-1.1-15 apply to an appeal  
 38 under this subsection. A determination by the state board of tax  
 39 commissioners of an appeal under this subsection is subject to  
 40 appeal to the tax court under IC 6-1.1-15.  
 41 (e) In order to obtain a review by the state board of tax  
 42 commissioners under subsection (d), the taxpayer must file a

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1 petition for review with the appropriate county assessor within  
 2 forty-five (45) days after the notice of the state board of tax  
 3 commissioners is given to the taxpayer under subsection (d).

4 (f) The state board of tax commissioners shall mail the notice  
 5 required by subsection (d) within ninety (90) days after the board  
 6 receives the report for a parcel from the professional appraisal  
 7 firm.

8 (g) The cost of a contract under this section shall be paid from  
 9 the property reassessment fund of the qualifying county  
 10 established under IC 6-1.1-4-27.

11 (h) Notwithstanding IC 4-13-2, a period of seven (7) days is  
 12 permitted for each of the following to review and act under  
 13 IC 4-13-2 on a contract of the state board of tax commissioners  
 14 under this section:

- 15 (1) The commissioner of the department of administration.
- 16 (2) The director of the budget agency.
- 17 (3) The attorney general.
- 18 (4) The governor.

19 (i) With respect to a general reassessment of real property to be  
 20 completed under IC 6-1.1-4-4 for an assessment date after the  
 21 March 1, 2002, assessment date, the state board of tax  
 22 commissioners shall initiate a review with respect to the real  
 23 property in a qualifying county or a township in a qualifying  
 24 county, or a portion of the real property in a qualifying county or  
 25 a township in a qualifying county. The state board may contract to  
 26 have the review performed by an appraisal firm. The state board  
 27 or its contractor shall determine for the real property under  
 28 consideration and for the qualifying county or township the  
 29 variance between:

- 30 (1) the total assessed valuation of the real property within the  
 31 qualifying county or township; and
- 32 (2) the total assessed valuation that would result if the real  
 33 property within the qualifying county or township were  
 34 valued in the manner provided by law.

35 (j) If:

- 36 (1) the variance determined under subsection (i) exceeds ten  
 37 percent (10%); and
- 38 (2) the state board of tax commissioners determines after  
 39 holding hearings on the matter that a special reassessment  
 40 should be conducted;

41 the state board shall contract for a special reassessment by an  
 42 appraisal firm to correct the valuation of the property.



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1 (k) If the variance determined under subsection (i) is ten percent  
 2 (10%) or less, the state board of tax commissioners shall determine  
 3 whether to correct the valuation of the property under:

- 4 (1) sections 9 and 10 of this chapter; or  
 5 (2) IC 6-1.1-14-10 and IC 6-1.1-14-11.

6 (l) The state board of tax commissioners shall give notice by  
 7 mail to a taxpayer of a hearing concerning the state board's intent  
 8 to cause the taxpayer's property to be reassessed under this  
 9 section. The time fixed for the hearing must be at least ten (10)  
 10 days after the day the notice is mailed. The state board may  
 11 conduct a single hearing under this section with respect to multiple  
 12 properties. The notice must state:

- 13 (1) the time of the hearing;  
 14 (2) the location of the hearing; and  
 15 (3) that the purpose of the hearing is to hear taxpayers'  
 16 comments and objections with respect to the state board's  
 17 intent to reassess property under this chapter.

18 (m) If the state board of tax commissioners determines after the  
 19 hearing that property should be reassessed under this section, the  
 20 state board shall:

- 21 (1) cause the property to be reassessed under this section;  
 22 (2) mail a certified notice of its final determination to the  
 23 county auditor of the qualifying county in which the property  
 24 is located; and  
 25 (3) notify the taxpayer by mail of its final determination.

26 (n) A reassessment may be made under this section only if the  
 27 notice of the final determination under subsection (l) is given to the  
 28 taxpayer within the same period prescribed in IC 6-1.1-9-3 or  
 29 IC 6-1.1-9-4.

30 (o) If the state board of tax commissioners contracts for a  
 31 special reassessment of property under this section, the state board  
 32 shall forward the bill for services of the contractor to the county  
 33 auditor, and the county shall pay the bill from the county  
 34 reassessment fund.

35 (p) A township assessor in a qualifying county or a county  
 36 assessor of a qualifying county shall provide information requested  
 37 in writing by the state board of tax commissioners or the state  
 38 board's contractor under this section not later than seven (7) days  
 39 after receipt of the written request from the state board or the  
 40 contractor. If a township assessor or county assessor fails to  
 41 provide the requested information within the time permitted in this  
 42 subsection, the state board of tax commissioners or the state

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1 board's contractor may seek an order of the tax court under  
2 IC 33-3-5-2.5 for production of the information.

3 (q) The provisions of this section are severable in the manner  
4 provided in IC 1-1-1-8(b).

5 SECTION 3. IC 6-1.1-8.5 IS ADDED TO THE INDIANA CODE  
6 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
7 JANUARY 1, 2002]:

8 **Chapter 8.5. Assessment of Industrial Facilities**

9 **Sec. 1. As used in this chapter, "industrial company" means an**  
10 **owner or user of industrial property.**

11 **Sec. 2. As used in this chapter, "industrial facility" means a**  
12 **company's real property that:**

13 (1) has been classified as industrial property under the rules  
14 of the state board; and

15 (2) has a true tax value, as estimated by the state board, of at  
16 least twenty-five million dollars (\$25,000,000) in a qualifying  
17 county.

18 The term includes real property that is used under an agreement  
19 under which the user exercises the beneficial rights of ownership  
20 for the majority of a year. The term does not include real property  
21 assessed under IC 6-1.1-8.

22 **Sec. 3. As used in this chapter, "qualifying county" means a**  
23 **county having a population of more than four hundred thousand**  
24 **(400,000) but less than seven hundred thousand (700,000).**

25 **Sec. 4. As used in this chapter, "state board" refers to the state**  
26 **board of tax commissioners.**

27 **Sec. 5. An industrial facility located in a qualifying county shall**  
28 **be assessed in the manner prescribed in this chapter.**

29 **Sec. 6. Before:**

30 (1) January 1, 2004; and

31 (2) January 1 of each year that a general reassessment  
32 commences under IC 6-1.1-4-4;

33 the county assessor of each qualifying county shall provide the  
34 state board a list of each industrial facility located in the qualifying  
35 county.

36 **Sec. 7. (a) The township assessor of each township in a**  
37 **qualifying county shall notify the state board of a newly**  
38 **constructed industrial facility that is located in the township served**  
39 **by the township assessor.**

40 (b) Each building commissioner in a qualifying county shall  
41 notify the state board of a newly constructed industrial facility that  
42 is located in the jurisdiction served by the building commissioner.



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1 (c) The state board shall schedule an assessment under this  
 2 chapter of a newly constructed industrial facility within six (6)  
 3 months after receiving notice of the construction from the  
 4 appropriate township assessor or building commissioner.

5 Sec. 8. For purposes of the general reassessment under  
 6 IC 6-1.1-4-4 or a new assessment, the state board shall assess each  
 7 industrial facility in a qualifying county.

8 Sec. 9. The county assessor of the qualifying county in which an  
 9 industrial facility is located shall provide support to the state  
 10 board's assessor during the course of the assessment of the  
 11 industrial facility.

12 Sec. 10. (a) When the state board determines its final  
 13 assessments of an industrial facility under this chapter, the state  
 14 board shall certify the true tax values to the county assessor and  
 15 the county auditor of the qualifying county in which the property  
 16 is located. In addition, if an industrial company has appealed the  
 17 state board's final assessment of the industrial facility, the state  
 18 board shall notify the county auditor of the appeal.

19 (b) The county assessor of a qualifying county shall review the  
 20 certification of the state board to determine if any of an industrial  
 21 company's property has been omitted and notify the state board of  
 22 additions the county assessor finds are necessary. The state board  
 23 shall consider the county assessor's findings and make any  
 24 additions to the certification the state board finds are necessary.  
 25 The county auditor shall enter for taxation the assessed valuation  
 26 of an industrial facility that is certified by the state board.

27 Sec. 11. (a) A taxpayer or the county assessor of the qualifying  
 28 county in which the industrial facility is located may appeal an  
 29 assessment by the state board made under this chapter to the  
 30 appeals division of the state board. An appeal under this section  
 31 shall be conducted in the same manner as an appeal under  
 32 IC 6-1.1-15-4 through IC 6-1.1-15-8. An assessment made under  
 33 this chapter that is not appealed under this section is a final  
 34 unappealable order of the state board.

35 (b) The state board shall hold a hearing on the appeal and issue  
 36 an order within one (1) year after the date the appeal is filed.

37 Sec. 12. The state board shall adopt rules to provide just  
 38 valuations of industrial facilities under this chapter.

39 Sec. 13. This chapter is designed to provide special rules for the  
 40 assessment and taxation of industrial facilities in a qualifying  
 41 county. If a provision of this chapter conflicts with a provision of  
 42 another chapter of this article, the provision of this chapter

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1 **controls with respect to the assessment and taxation of an**  
2 **industrial facility.**

3 SECTION 4. IC 6-1.1-18.5-3 IS AMENDED TO READ AS  
4 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) Except as  
5 otherwise provided in this chapter **and IC 6-3.5-8-12**, a civil taxing  
6 unit that is treated as not being located in an adopting county under  
7 section 4 of this chapter may not impose an ad valorem property tax  
8 levy for an ensuing calendar year that exceeds the amount determined  
9 in the last STEP of the following STEPS:

10 STEP ONE: Add the civil taxing unit's maximum permissible ad  
11 valorem property tax levy for the preceding calendar year to the  
12 part of the civil taxing unit's certified share, if any, that was used  
13 to reduce the civil taxing unit's ad valorem property tax levy under  
14 STEP EIGHT of subsection (b) for that preceding calendar year.  
15 STEP TWO: Multiply the amount determined in STEP ONE by  
16 the amount determined in the last STEP of section 2 of this  
17 chapter.

18 STEP THREE: Determine the lesser of one and fifteen hundredths  
19 (1.15) or the quotient (rounded to the nearest ten-thousandth), of  
20 the assessed value of all taxable property subject to the civil  
21 taxing unit's ad valorem property tax levy for the ensuing calendar  
22 year, divided by the assessed value of all taxable property that is  
23 subject to the civil taxing unit's ad valorem property tax levy for  
24 the ensuing calendar year and that is contained within the  
25 geographic area that was subject to the civil taxing unit's ad  
26 valorem property tax levy in the preceding calendar year.

27 STEP FOUR: Determine the greater of the amount determined in  
28 STEP THREE or one (1).

29 STEP FIVE: Multiply the amount determined in STEP TWO by  
30 the amount determined in STEP FOUR.

31 STEP SIX: Add the amount determined under STEP TWO to the  
32 amount determined under subsection (c).

33 STEP SEVEN: Determine the greater of the amount determined  
34 under STEP FIVE or the amount determined under STEP SIX.

35 (b) Except as otherwise provided in this chapter **and IC 6-3.5-8-12**,  
36 a civil taxing unit that is treated as being located in an adopting county  
37 under section 4 of this chapter may not impose an ad valorem property  
38 tax levy for an ensuing calendar year that exceeds the amount  
39 determined in the last STEP of the following STEPS:

40 STEP ONE: Add the civil taxing unit's maximum permissible ad  
41 valorem property tax levy for the preceding calendar year to the  
42 part of the civil taxing unit's certified share, if any, used to reduce

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1 the civil taxing unit's ad valorem property tax levy under STEP  
 2 EIGHT of this subsection for that preceding calendar year.  
 3 STEP TWO: Multiply the amount determined in STEP ONE by  
 4 the amount determined in the last STEP of section 2 of this  
 5 chapter.  
 6 STEP THREE: Determine the lesser of one and fifteen hundredths  
 7 (1.15) or the quotient of the assessed value of all taxable property  
 8 subject to the civil taxing unit's ad valorem property tax levy for  
 9 the ensuing calendar year divided by the assessed value of all  
 10 taxable property that is subject to the civil taxing unit's ad  
 11 valorem property tax levy for the ensuing calendar year and that  
 12 is contained within the geographic area that was subject to the  
 13 civil taxing unit's ad valorem property tax levy in the preceding  
 14 calendar year.  
 15 STEP FOUR: Determine the greater of the amount determined in  
 16 STEP THREE or one (1).  
 17 STEP FIVE: Multiply the amount determined in STEP TWO by  
 18 the amount determined in STEP FOUR.  
 19 STEP SIX: Add the amount determined under STEP TWO to the  
 20 amount determined under subsection (c).  
 21 STEP SEVEN: Determine the greater of the amount determined  
 22 under STEP FIVE or the amount determined under STEP SIX.  
 23 STEP EIGHT: Subtract the amount determined under STEP FIVE  
 24 of subsection (e) from the amount determined under STEP  
 25 SEVEN of this subsection.

26 (c) If a civil taxing unit in the immediately preceding calendar year  
 27 provided an area outside its boundaries with services on a contractual  
 28 basis and in the ensuing calendar year that area has been annexed by  
 29 the civil taxing unit, the amount to be entered under STEP SIX of  
 30 subsection (a) or STEP SIX of subsection (b), as the case may be,  
 31 equals the amount paid by the annexed area during the immediately  
 32 preceding calendar year for services that the civil taxing unit must  
 33 provide to that area during the ensuing calendar year as a result of the  
 34 annexation. In all other cases, the amount to be entered under STEP  
 35 SIX of subsection (a) or STEP SIX of subsection (b), as the case may  
 36 be, equals zero (0).

37 (d) This subsection applies only to civil taxing units located in a  
 38 county having a county adjusted gross income tax rate for resident  
 39 county taxpayers (as defined in IC 6-3.5-1.1-1) of one percent (1%) as  
 40 of January 1 of the ensuing calendar year. For each civil taxing unit, the  
 41 amount to be added to the amount determined in subsection (e), STEP  
 42 FOUR, is determined using the following formula:

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- 1 STEP ONE: Multiply the civil taxing unit's maximum permissible  
2 ad valorem property tax levy for the preceding calendar year by  
3 two percent (2%).
- 4 STEP TWO: For the determination year, the amount to be used as  
5 the STEP TWO amount is the amount determined in subsection  
6 (f) for the civil taxing unit. For each year following the  
7 determination year the STEP TWO amount is the lesser of:  
8 (A) the amount determined in STEP ONE; or  
9 (B) the amount determined in subsection (f) for the civil taxing  
10 unit.
- 11 STEP THREE: Determine the greater of:  
12 (A) zero (0); or  
13 (B) the civil taxing unit's certified share for the ensuing  
14 calendar year minus the greater of:  
15 (i) the civil taxing unit's certified share for the calendar year  
16 that immediately precedes the ensuing calendar year; or  
17 (ii) the civil taxing unit's base year certified share.
- 18 STEP FOUR: Determine the greater of:  
19 (A) zero (0); or  
20 (B) the amount determined in STEP TWO minus the amount  
21 determined in STEP THREE.
- 22 Add the amount determined in STEP FOUR to the amount determined  
23 in subsection (e), STEP THREE, as provided in subsection (e), STEP  
24 FOUR.
- 25 (e) For each civil taxing unit, the amount to be subtracted under  
26 subsection (b), STEP EIGHT, is determined using the following  
27 formula:
- 28 STEP ONE: Determine the lesser of the civil taxing unit's base  
29 year certified share for the ensuing calendar year, as determined  
30 under section 5 of this chapter, or the civil taxing unit's certified  
31 share for the ensuing calendar year.
- 32 STEP TWO: Determine the greater of:  
33 (A) zero (0); or  
34 (B) the remainder of:  
35 (i) the amount of federal revenue sharing money that was  
36 received by the civil taxing unit in 1985; minus  
37 (ii) the amount of federal revenue sharing money that will be  
38 received by the civil taxing unit in the year preceding the  
39 ensuing calendar year.
- 40 STEP THREE: Determine the lesser of:  
41 (A) the amount determined in STEP TWO; or  
42 (B) the amount determined in subsection (f) for the civil taxing

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unit.

STEP FOUR: Add the amount determined in subsection (d), STEP FOUR, to the amount determined in STEP THREE.

STEP FIVE: Subtract the amount determined in STEP FOUR from the amount determined in STEP ONE.

(f) As used in this section, a taxing unit's "determination year" means the latest of:

- (1) calendar year 1987, if the taxing unit is treated as being located in an adopting county for calendar year 1987 under section 4 of this chapter;
- (2) the taxing unit's base year, as defined in section 5 of this chapter, if the taxing unit is treated as not being located in an adopting county for calendar year 1987 under section 4 of this chapter; or
- (3) the ensuing calendar year following the first year that the taxing unit is located in a county that has a county adjusted gross income tax rate of more than one-half percent (0.5%) on July 1 of that year.

The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%	
Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year . . . . .	0
COUNTIES WITH A TAX RATE OF 3/4%	
Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year . . . . .	1/2
COUNTIES WITH A TAX RATE OF 1.0%	
	Subsection (d)    Subsection (e)

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1	Year	Factor	Factor
2	For the determination year . . . . .	1/6 . . . . .	1/3
3	For the ensuing calendar		
4	year following the determi-		
5	nation year . . . . .	1/4 . . . . .	1/3
6	For the ensuing calendar		
7	year following the determi-		
8	nation year by two (2) years . . . . .	1/3 . . . . .	1/3
9	SECTION 5. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE		
10	AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE		
11	JANUARY 1, 2001 (RETROACTIVE)]:		
12	<b>Chapter 20. Income Tax Credit For Property Taxes Paid on</b>		
13	<b>Homesteads</b>		
14	<b>Sec. 1. As used in this chapter, "earned income" means the sum</b>		
15	<b>of the:</b>		
16	<b>(1) wages, salaries, tips, and other employee compensation;</b>		
17	<b>and</b>		
18	<b>(2) net earnings from self-employment (as computed under</b>		
19	<b>Section 32(c)(2) of the Internal Revenue Code);</b>		
20	<b>of an individual taxpayer, and the individual's spouse, if the</b>		
21	<b>individual files a joint adjusted gross income tax return.</b>		
22	<b>Sec. 2. As used in this chapter, "homestead" has the meaning set</b>		
23	<b>forth in IC 6-1.1-20.9-1.</b>		
24	<b>Sec. 3. As used in this chapter, "state income tax liability"</b>		
25	<b>means an individual's adjusted gross income tax liability under</b>		
26	<b>IC 6-3.</b>		
27	<b>Sec. 4. (a) Except as provided in subsection (b), an individual is</b>		
28	<b>entitled to a credit under this chapter if the:</b>		
29	<b>(1) individual's earned income for the taxable year is less than</b>		
30	<b>eighteen thousand six hundred (\$18,600); and</b>		
31	<b>(2) the individual pays property taxes in the taxable year on</b>		
32	<b>a homestead that:</b>		
33	<b>(A) the individual:</b>		
34	<b>(i) owns; or</b>		
35	<b>(ii) is buying under a contract that requires the</b>		
36	<b>individual to pay property taxes on the homestead, if the</b>		
37	<b>contract or a memorandum of the contract is recorded</b>		
38	<b>in the county recorder's office; and</b>		
39	<b>(B) is located in a county having a population of more than</b>		
40	<b>four hundred thousand (400,000) but less than seven</b>		
41	<b>hundred thousand (700,000).</b>		
42	<b>(b) An individual is not entitled to a credit under this chapter</b>		

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1 for a taxable year for property taxes paid on the individual's  
2 homestead if the individual claims the deduction under  
3 IC 6-3-1-3.5(a)(17) for the homestead for that same taxable year.

4 Sec. 5. (a) Each year, an individual described in section 4 of this  
5 chapter is entitled to a refundable credit against the individual's  
6 state income tax liability in the amount determined under this  
7 section.

8 (b) In the case of an individual with earned income of less than  
9 eighteen thousand dollars (\$18,000) for the taxable year, the  
10 amount of the credit is equal to the lesser of:

- 11 (1) three hundred dollars (\$300); or
- 12 (2) the amount of property taxes described in section 4(2) of  
13 this chapter paid by the individual in the taxable year.

14 (c) In the case of an individual with earned income that is at  
15 least eighteen thousand dollars (\$18,000) but less than eighteen  
16 thousand six hundred dollars (\$18,600) for the taxable year, the  
17 amount of the credit is equal to the lesser of the following:

- 18 (1) An amount determined under the following STEPS:  
19 STEP ONE: Determine the result of:  
20 (i) eighteen thousand six hundred dollars (\$18,600);  
21 minus  
22 (ii) the individual's earned income for the taxable year.  
23 STEP TWO: Determine the result of:  
24 (i) the STEP ONE amount; multiplied by  
25 (ii) five-tenths (0.5).

- 26 (2) The amount of property taxes described in section 4(2) of  
27 this chapter paid by the individual in the taxable year.

28 (d) If the amount of the credit under this chapter exceeds the  
29 individual's state tax liability for the taxable year, the excess shall  
30 be refunded to the taxpayer.

31 Sec. 6. To obtain the credit provided by this chapter, an  
32 individual must file with the department information concerning  
33 the property taxes paid on the individual's homestead and any  
34 other information required by the department.

35 Sec. 7. (a) The department shall before July 1 of each year  
36 determine the amount of credits allowed under this chapter for  
37 taxable years ending before January 1 of the year.

38 (b) One-half (1/2) of the amount determined by the department  
39 under subsection (a) shall be:

- 40 (1) deducted during the year from the riverboat admissions  
41 tax revenue otherwise payable to the county under  
42 IC 4-33-12-6(b)(2); and

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1           (2) paid instead to the state general fund.  
2           (c) One-sixth (1/6) of the amount determined by the department  
3 under subsection (a) shall be:  
4           (1) deducted during the year from the riverboat admissions  
5 tax revenue otherwise payable under IC 4-33-12-6(b)(1) to  
6 each of the following:  
7           (A) The largest city by population located in the county.  
8           (B) The second largest city by population located in the  
9 county.  
10           (C) The third largest city by population located in the  
11 county; and  
12           (2) paid instead to the state general fund.  
13 SECTION 6. IC 6-3.5-8 IS ADDED TO THE INDIANA CODE AS  
14 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON  
15 PASSAGE]:  
16           **Chapter 8. Municipal Option Income Tax**  
17           **Sec. 1.** As used in this chapter, "adjusted gross income" has the  
18 meaning set forth in IC 6-3-1-3.5. However, in the case of a  
19 municipal taxpayer who is not treated as a resident municipal  
20 taxpayer of a municipality, the term includes only adjusted gross  
21 income derived from the taxpayer's principal place of business or  
22 employment.  
23           **Sec. 2.** As used in this chapter, "department" refers to the  
24 department of state revenue.  
25           **Sec. 3.** As used in this chapter, "fiscal body" has the meaning set  
26 forth in IC 36-1-2-6.  
27           **Sec. 4.** As used in this chapter, "municipal option income tax"  
28 refers to the tax authorized by this chapter.  
29           **Sec. 5.** As used in this chapter, "municipal taxpayer", as it  
30 relates to a particular municipality, means any individual:  
31           (1) who resides in that municipality on the date specified in  
32 section 21 of this chapter; or  
33           (2) who maintains the individual's principal place of business  
34 or employment in that municipality on the date specified in  
35 section 21 of this chapter and who does not reside on that  
36 same date in:  
37           (A) a county in which the county option income tax, the  
38 county adjusted gross income tax, or the county economic  
39 development income tax is in effect; or  
40           (B) a municipality in which the municipal option income  
41 tax is in effect.  
42           **Sec. 6.** As used in this chapter, "municipality" has the meaning

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set forth in IC 36-1-2-11.

Sec. 7. As used in this chapter, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

Sec. 8. As used in this chapter, "resident municipal taxpayer", as it relates to a particular municipality, means any municipal taxpayer who resides in that municipality on the date specified in section 21 of this chapter.

Sec. 9. (a) Except as provided in subsections (c) and (f) and in section 12(c) of this chapter, the fiscal body of a municipality located in a qualifying county may impose a municipal option income tax, which consists of a tax on the adjusted gross income of municipal taxpayers of the municipality. If the tax is imposed, the tax takes effect:

(1) September 1, 2001, if the fiscal body adopts an ordinance to impose the tax before July 1, 2001; or

(2) July 1 of the year that the ordinance imposing the tax is adopted, if the ordinance is adopted in 2002 or a later calendar year.

(b) A municipal fiscal body shall hold a public hearing on the proposed ordinance before adopting an ordinance under subsection (a). The municipal fiscal body shall give public notice of the public hearing under IC 5-3-1.

(c) A fiscal body may not impose a municipal option income tax under subsection (a) for a period in which the county adjusted gross income tax, the county option income tax, or the economic development income tax is in effect in the qualifying county in which the municipality is located.

(d) A fiscal body may not impose a municipal option income tax for a calendar year that begins after December 31, 2005.

Sec. 10. (a) The maximum rate of the municipal option income tax imposed on a resident municipal taxpayer under this chapter is one percent (1%). The maximum rate of the municipal option income tax imposed on all other municipal taxpayers under this chapter is one-half percent (0.5%).

(b) A municipal option income tax imposed under this chapter applies to resident municipal taxpayers and all other municipal taxpayers. The municipal option income tax rate in effect for the municipal taxpayers of a municipality who are not resident municipal taxpayers of that municipality is at all times one-half (1/2) of the tax rate imposed upon resident municipal taxpayers.

Sec. 11. (a) To impose a municipal option income tax to take

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1 effect September 1, 2001, the fiscal body of a municipality in a  
2 qualifying county must adopt an ordinance before July 1, 2001.  
3 The ordinance must substantially state the following:

4 "The \_\_\_\_\_ Fiscal Body imposes the municipal option  
5 income tax on the municipal taxpayers of \_\_\_\_\_ (insert  
6 name of municipality). The income tax is imposed at a rate of  
7 \_\_\_\_\_ percent (\_\_\_\_%) on the resident municipal taxpayers  
8 of the municipality and at a rate of \_\_\_\_ percent (\_\_\_\_%) on  
9 all other municipal taxpayers. The income tax takes effect  
10 September 1, 2001."

11 (b) An ordinance adopted under subsection (a) takes effect  
12 September 1, 2001.

13 (c) To impose a municipal option income tax in 2002 or in a later  
14 year, the fiscal body of a municipality that does not adopt an  
15 ordinance under subsection (a) must, after February 15 but before  
16 May 1 of a year, adopt an ordinance. The ordinance must  
17 substantially state the following:

18 "The \_\_\_\_\_ Fiscal Body imposes the municipal option  
19 income tax on the municipal taxpayers of \_\_\_\_\_ (insert  
20 name of municipality). The income tax is imposed at a rate of  
21 \_\_\_\_\_ percent (\_\_\_\_%) on the resident municipal taxpayers  
22 of the municipality and at a rate of \_\_\_\_ percent (\_\_\_\_%) on  
23 all other municipal taxpayers. The income tax takes effect  
24 July 1 of this year."

25 (d) An ordinance adopted under subsection (c) takes effect July  
26 1 of the year the ordinance is adopted.

27 Sec. 12. (a) If the fiscal body of a municipality in a qualifying  
28 county adopts an ordinance under section 11(a) of this chapter, the  
29 state board of tax commissioners may not certify a budget for the  
30 municipality under IC 6-1.1-17-16(f) for the 2002 calendar year  
31 that is greater than ninety-seven percent (97%) of the budget of the  
32 municipality certified by the state board for the 2001 calendar  
33 year. The state board of tax commissioners may not certify a  
34 budget for the municipality under IC 6-1.1-17-16(f) for any later  
35 calendar year that is greater than ninety-seven percent (97%) of  
36 the budget of the municipality certified by the state board for the  
37 calendar year that immediately precedes the later calendar year.

38 (b) If the fiscal body of a municipality in a qualifying county  
39 adopts an ordinance in a calendar year under section 11(c) of this  
40 chapter, the state board of tax commissioners may not certify a  
41 budget for the municipality under IC 6-1.1-17-16(f) for the  
42 calendar year that immediately succeeds the calendar year in

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1 which the ordinance is adopted that is greater than ninety-seven  
 2 percent (97%) of the budget of the municipality certified by the  
 3 state board for the calendar year in which the ordinance was  
 4 adopted. The state board of tax commissioners may not certify a  
 5 budget for the municipality under IC 6-1.1-17-16(f) for any later  
 6 calendar year that is greater than ninety-seven percent (97%) of  
 7 the budget of the municipality certified by the state board for the  
 8 calendar year that immediately precedes the later calendar year.

9 (c) Before July 1 of 2002 and of each year thereafter, the state  
 10 board of tax commissioners shall review the budget approved for  
 11 each municipality in a qualifying county in which a municipal  
 12 option income tax is in effect to determine whether the restriction  
 13 under subsection (a) or (b) has been applied. If the restriction has  
 14 not been applied:

15 (1) the municipal option income tax is rescinded as of July 1  
 16 of the year in which the review was made;

17 (2) the municipality may not impose the municipal option  
 18 income tax for any later year; and

19 (3) the municipality is:

20 (A) subject to subsection (d), if the municipality adopted  
 21 the municipal option income tax in 2002; or

22 (B) subject to subsection (e), if the municipality adopted  
 23 the municipal option income tax in a year that succeeds  
 24 2002.

25 (d) In May 2003, the department of state revenue shall  
 26 determine for each municipality subject to this subsection the  
 27 amount of tax revenue collected for the municipality after August  
 28 31, 2001, and before July 1, 2002. The department of state revenue  
 29 shall immediately notify the municipality of the amount  
 30 determined under this subsection. Not later than thirty (30) days  
 31 after receiving notification from the department of state revenue,  
 32 the municipality shall transfer the amount determined by the  
 33 department under this subsection from the municipality's general  
 34 fund to the county family and children's fund of the qualifying  
 35 county in which the municipality is located.

36 (e) In May 2004, and in May of each year thereafter, the  
 37 department of state revenue shall determine for each municipality  
 38 subject to this subsection the amount of tax revenue collected for  
 39 the municipality after June 30 of the calendar year that precedes  
 40 by two (2) years the calendar year in which the determination is  
 41 made and before July 1 of the year that immediately precedes the  
 42 calendar year in which the determination is made. The department



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1 of state revenue shall immediately notify the municipality of the  
 2 amount determined under this subsection. Not later than thirty  
 3 (30) days after receiving notification from the department of state  
 4 revenue, the municipality shall transfer the amount determined by  
 5 the department under this subsection from the municipality's  
 6 general fund to the county family and children's fund of the  
 7 qualifying county in which the municipality is located.

8 (f) If a municipality makes a transfer from its general fund to  
 9 the county's family and children's fund as described in subsection  
 10 (d) or (e), the state board of tax commissioners shall reduce by the  
 11 amount transferred the county's maximum family and children's  
 12 fund levy under IC 6-1.1-18.6 for the calendar year that  
 13 immediately succeeds the year in which the transfer is made.

14 (g) This subsection applies if the fiscal body of a municipality in  
 15 a qualifying county adopts an ordinance under section 11 of this  
 16 chapter to impose a municipal option income tax. The maximum  
 17 permissible ad valorem property tax levy of the municipality is not  
 18 subject to any increase under IC 6-1.1-18.5-3(a) or  
 19 IC 6-1.1-18.5-3(b) for taxes payable in:

- 20 (1) the calendar year that immediately succeeds the calendar
- 21 year in which the ordinance is adopted; and
- 22 (2) each succeeding calendar year in which the municipal
- 23 option income tax remains in effect.

24 (h) This subsection applies if the fiscal body of a municipality in  
 25 a qualifying county adopts an ordinance under section 14 of this  
 26 chapter to rescind the municipal option income tax, or if the  
 27 municipal option income tax in a municipality is rescinded by  
 28 operation of law. For purposes of IC 6-1.1-18.5-3(a) STEP ONE or  
 29 IC 6-1.1-18.5-3(b) STEP ONE, the preceding calendar year is  
 30 considered to be the calendar year in which an ordinance was  
 31 adopted under section 11 of this chapter to impose the municipal  
 32 option income tax.

33 Sec. 13. (a) The fiscal body of a municipality may increase or  
 34 decrease the rate of a municipal option income tax. To increase or  
 35 decrease the rate, the fiscal body must, after January 1 but before  
 36 May 1 of a year, adopt an ordinance. The ordinance must  
 37 substantially state the following:

38 "The \_\_\_\_\_ Fiscal Body increases (or decreases) the rate  
 39 of the municipal option income tax. The tax rate with respect  
 40 to resident municipal taxpayers is increased (or decreased)  
 41 from (insert current rate) to (insert proposed rate). The tax  
 42 rate with respect to all other municipal taxpayers is increased

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1 (or decreased) from (insert current rate) to (insert proposed  
 2 rate). This tax rate increase (or decrease) takes effect July 1  
 3 of this year.

4 (b) A fiscal body shall hold a public hearing on the proposed  
 5 ordinance before adopting an ordinance under subsection (a). The  
 6 municipal fiscal body shall give public notice of the public hearing  
 7 under IC 5-3-1.

8 (c) An ordinance adopted under this section takes effect July 1  
 9 of the year the ordinance is adopted.

10 **Sec. 14. (a) A municipal option income tax imposed by a fiscal**  
 11 **body under this chapter remains in effect until the earlier of:**

12 (1) the date the tax is rescinded; or  
 13 (2) December 31, 2005.

14 (b) A fiscal body may rescind the municipal option income tax  
 15 by adopting an ordinance to rescind the tax after January 1 but  
 16 before June 1 of a year.

17 (c) A fiscal body shall hold a public hearing on the proposed  
 18 ordinance before adopting an ordinance under subsection (b). The  
 19 municipal fiscal body shall give public notice of the public hearing  
 20 under IC 5-3-1.

21 (d) An ordinance adopted under this section takes effect July 1  
 22 of the year the ordinance is adopted.

23 **Sec. 15. Immediately upon adoption under this chapter of an**  
 24 **ordinance to impose or rescind a municipal option income tax, or**  
 25 **an ordinance to increase or decrease the rate of the tax, the**  
 26 **legislative body of the municipality shall send a certified copy of**  
 27 **the ordinance to the department by certified mail.**

28 **Sec. 16. If a municipal option income tax is not in effect during**  
 29 **an individual taxpayer's entire taxable year, the amount of**  
 30 **municipal option income tax that the taxpayer owes for that**  
 31 **taxable year equals the product of:**

32 (1) the amount of the municipal option income tax the  
 33 taxpayer would owe if the tax had been imposed during the  
 34 taxpayer's entire taxable year; multiplied by  
 35 (2) a fraction. The numerator equals the number of days  
 36 during the taxpayer's taxable year that the municipal option  
 37 income tax was in effect. The denominator equals the total  
 38 number of days in the taxpayer's taxable year.

39 **Sec. 17. (a) If, for a particular taxable year, an individual**  
 40 **taxpayer is allowed, or a municipal taxpayer and the municipal**  
 41 **taxpayer's spouse who file a joint return are allowed, a credit for**  
 42 **the elderly or the totally disabled under Section 22 of the Internal**

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1 Revenue Code (as defined in IC 6-3-1-11), the municipal taxpayer  
 2 is entitled or the municipal taxpayer and the municipal taxpayer's  
 3 spouse are entitled to a credit against their municipal option  
 4 income tax liability for that same taxable year. The amount of the  
 5 credit equals the lesser of the following:

6 (1) The product of:

7 (A) the credit for the elderly or the totally disabled for the  
 8 same taxable year; multiplied by

9 (B) a fraction. The numerator is the municipal option  
 10 income tax rate imposed against the municipal taxpayer or  
 11 the municipal taxpayer and the municipal taxpayer's  
 12 spouse. The denominator is fifteen-hundredths (0.15).

13 (2) The amount of municipal option income tax imposed on  
 14 the municipal taxpayer or the municipal taxpayer and the  
 15 municipal taxpayer's spouse.

16 (b) If a municipal taxpayer and the municipal taxpayer's spouse  
 17 file a joint return and are subject to different municipal option  
 18 income tax rates for the same taxable year, they shall compute the  
 19 credit under this section by using the formula provided in  
 20 subsection (a), except that they shall use the average of the two (2)  
 21 tax rates imposed against them as the numerator referred to in  
 22 subsection (a)(1)(B).

23 Sec. 18. (a) Revenue derived from the imposition of a municipal  
 24 option income tax shall, in the manner prescribed by this section,  
 25 be distributed to the municipality that imposed the tax. The  
 26 amount that is to be distributed to a municipality during an  
 27 ensuing calendar year equals the amount of municipal option  
 28 income tax revenue that the department, after reviewing the  
 29 recommendation of the budget agency, estimates will be received  
 30 from that municipality during the twelve (12) month period  
 31 beginning July 1 of the immediately preceding calendar year and  
 32 ending June 30 of the ensuing calendar year.

33 (b) Before June 16 of each calendar year, the department, after  
 34 reviewing the recommendation of the budget agency, shall estimate  
 35 and certify to each adopting municipality and to the county auditor  
 36 of the qualifying county the amount of municipal option income tax  
 37 revenue that will be collected from that municipality during the  
 38 twelve (12) month period beginning July 1 of that calendar year  
 39 and ending June 30 of the immediately succeeding calendar year.  
 40 The amount certified is the municipality's "certified distribution"  
 41 for the immediately succeeding calendar year. The amount  
 42 certified may be adjusted under subsection (c) or (d).



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1 (c) The department may certify to an adopting municipality an  
 2 amount that is greater than the estimated twelve (12) month  
 3 revenue collection if the department, after reviewing the  
 4 recommendation of the budget agency, determines that there will  
 5 be a greater amount of revenue available for distribution from the  
 6 municipality's account established under section 19 of this chapter.

7 (d) The department may certify an amount less than the  
 8 estimated twelve (12) month revenue collection if the department,  
 9 after reviewing the recommendation of the budget agency,  
 10 determines that a part of those collections needs to be distributed  
 11 during the current calendar year so that the municipality will  
 12 receive its full certified distribution for the current calendar year.

13 (e) One-twelfth (1/12) of each adopting municipality's certified  
 14 distribution for a calendar year shall be distributed from its  
 15 account established under section 19 of this chapter to the  
 16 appropriate municipality on the first day of each month of that  
 17 calendar year.

18 (f) All distributions from an account established under section  
 19 19 of this chapter shall be made by warrants issued by the auditor  
 20 of state to the treasurer of state ordering the appropriate  
 21 payments.

22 **Sec. 19. (a)** A special account within the state general fund shall  
 23 be established for each municipality adopting a municipal option  
 24 income tax. Revenue derived from the imposition of the municipal  
 25 option income tax shall be deposited in that municipality's account  
 26 in the state general fund.

27 (b) Income earned on money held in an account under  
 28 subsection (a) becomes a part of that account.

29 (c) Revenue remaining in an account established under  
 30 subsection (a) at the end of a state fiscal year does not revert to the  
 31 state general fund.

32 **Sec. 20. (a)** The state board of tax commissioners shall each year  
 33 reduce the general fund property tax levy of a municipality  
 34 receiving a distribution under this chapter in that year. The  
 35 municipality's general fund property tax levy shall be reduced by  
 36 the amount of the distribution received or to be received by the  
 37 municipality during the year. The state board of tax commissioners  
 38 shall certify to the auditor of the qualifying county the property tax  
 39 rate applicable to the municipality's general fund after the  
 40 property tax reduction under this section.

41 (b) A municipality shall treat a distribution that the  
 42 municipality receives or is to receive during a particular calendar

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1 year as a part of the municipality's property tax levy for the  
 2 general fund for that same calendar year for purposes of fixing the  
 3 municipality's budget and for purposes of the property tax levy  
 4 limits imposed by IC 6-1.1-18.5. However, the distributions shall  
 5 not reduce the total county tax levy that is used to compute the  
 6 state property tax replacement credit under IC 6-1.1-21. In  
 7 addition, for purposes of computing and distributing any excise  
 8 taxes or income taxes in which the distribution is based on  
 9 property taxes, the distributions shall be treated as though they  
 10 were property taxes that were due and payable during that same  
 11 calendar year.

12 (c) A municipality may use distributions received under this  
 13 chapter for any purpose for which the municipality may use  
 14 property tax revenues.

15 Sec. 21. (a) For purposes of this chapter, an individual shall be  
 16 treated as a resident municipal taxpayer of the municipality in  
 17 which the individual:

- 18 (1) maintains a residence, if the individual maintains only one
- 19 (1) residence in Indiana;
- 20 (2) if subdivision (1) does not apply, registers to vote;
- 21 (3) if subdivision (1) or (2) does not apply, registers the
- 22 individual's personal automobile; or
- 23 (4) if subdivision (1), (2), or (3) does not apply, spends the
- 24 majority of the individual's time in Indiana during the taxable
- 25 year in question.

26 (b) Whether an individual is a resident municipal taxpayer is  
 27 determined on January 1 of the calendar year in which the  
 28 individual's taxable year commences. If an individual changes the  
 29 location of the individual's residence to another location in Indiana  
 30 during a calendar year, the individual's liability for municipal  
 31 option income tax is not affected.

32 Sec. 22. (a) Except as otherwise provided in this chapter, all  
 33 provisions of the adjusted gross income tax law (IC 6-3)  
 34 concerning:

- 35 (1) definitions;
- 36 (2) declarations of estimated tax;
- 37 (3) filing of returns;
- 38 (4) remittances;
- 39 (5) incorporation of the provisions of the Internal Revenue
- 40 Code;
- 41 (6) penalties and interest;
- 42 (7) exclusion of military pay credits for withholding; and



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(8) exemptions and deductions; apply to the imposition, collection, and administration of the municipal option income tax. The municipal option income tax is a listed tax and an income tax for purposes of IC 6-8.1.

(b) The provisions of IC 6-3-1-3.5(a)(5), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the municipal option income tax.

(c) Each employer shall report to the department the amount of withholdings attributable to each municipality. This report shall annually be submitted with the employer's withholding report.

Sec. 23. Before February 1 of each year, the department shall submit a report to each municipality indicating the balance at the end of the preceding year in the municipality's account established under section 19 of this chapter.

Sec. 24. (a) Except as provided in subsection (b), if for a particular taxable year a municipal taxpayer is liable for an income tax imposed by a county, city, town, or other local governmental entity located outside of Indiana, that municipal taxpayer is entitled to a credit against the municipal option income tax liability for that same taxable year. The amount of the credit equals the amount of tax imposed by the other governmental entity on income derived from sources outside Indiana and subject to the municipal option income tax. However, the credit provided by this section may not reduce a municipal taxpayer's municipal option income tax liability to an amount that is less than what would have been owed if the income subject to taxation by the other governmental entity had been ignored.

(b) The credit provided by this section does not apply to a municipal taxpayer to the extent that the other governmental entity provides for a credit to the taxpayer for the amount of municipal option income taxes owed under this chapter.

(c) To claim the credit provided by this section, a municipal taxpayer must provide the department with satisfactory evidence that the taxpayer is entitled to the credit.

Sec. 25. If for any taxable year a municipal taxpayer is subject to different tax rates for the municipal option income tax imposed by a municipality, the taxpayer's municipal option income tax rate for that municipality and that taxable year is the rate determined in the last STEP of the following STEPS:

STEP ONE: Multiply the number of months in the taxpayer's taxable year that precede July 1 by the rate in effect before the rate change.

STEP TWO: Multiply the number of months in the taxpayer's

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1           **taxable year that follow June 30 by the rate in effect after the**  
 2           **rate change.**

3           **STEP THREE: Divide the sum of the amounts determined**  
 4           **under STEPS ONE and TWO by twelve (12).**

5           SECTION 7. IC 6-8.1-1-1, AS AMENDED BY P.L.181-1999,  
 6           SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 7           UPON PASSAGE]: Sec. 1. "Listed taxes" or "taxes" includes only the  
 8           pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat  
 9           admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13);  
 10          the gross income tax (IC 6-2.1); the state gross retail and use taxes  
 11          (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net  
 12          income tax (IC 6-3-8); the county adjusted gross income tax  
 13          (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county  
 14          economic development income tax (IC 6-3.5-7); **the municipal option**  
 15          **income tax (IC 6-3.5-8)**; the auto rental excise tax (IC 6-6-9); the bank  
 16          tax (IC 6-5-10); the savings and loan association tax (IC 6-5-11); the  
 17          production credit association tax (IC 6-5-12); the financial institutions  
 18          tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit  
 19          fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel  
 20          tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal  
 21          agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5);  
 22          the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste  
 23          disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise  
 24          tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax  
 25          (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise  
 26          tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various  
 27          innkeeper's taxes (IC 6-9); the various county food and beverage taxes  
 28          (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil  
 29          inspection fee (IC 16-44-2); the emergency and hazardous chemical  
 30          inventory form fee (IC 6-6-10); the penalties assessed for oversize  
 31          vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for  
 32          overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage  
 33          tank fee (IC 13-23); the solid waste management fee (IC 13-20-22);  
 34          and any other tax or fee that the department is required to collect or  
 35          administer.

36          SECTION 8. IC 33-3-5-2.5 IS ADDED TO THE INDIANA CODE  
 37          AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE  
 38          UPON PASSAGE]: **Sec. 2.5. (a) As used in this section, "qualifying**  
 39          **county" means a county having a population of more than four**  
 40          **hundred thousand (400,000) and less than seven hundred thousand**  
 41          **(700,000).**

42          **(b) As used in this section, "contractor" means the general**

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1 reassessment contractor of the state board of tax commissioners  
 2 under IC 6-1.1-4-32.  
 3 (c) Upon petition from:  
 4 (1) the state board of tax commissioners; or  
 5 (2) the contractor;  
 6 the tax court may order a township assessor in a qualifying county  
 7 or a county assessor of a qualifying county to produce information  
 8 requested in writing from the township assessor or county assessor  
 9 by the state board of tax commissioners or the contractor.  
 10 (d) If the tax court orders a township assessor or county  
 11 assessor to provide requested information as described in  
 12 subsection (b), the tax court shall order production of the  
 13 information not later than fourteen (14) days after the date of the  
 14 tax court's order.  
 15 (e) The tax court may find that any willful violation of this  
 16 section by a township assessor or county assessor constitutes a  
 17 direct contempt of the tax court.  
 18 SECTION 9. [EFFECTIVE JULY 1, 2001] (a) IC 6-1.1-8.5, as  
 19 added by this act, applies to property taxes first due and payable  
 20 after December 31, 2004.  
 21 (b) This SECTION expires January 1, 2006.  
 22 SECTION 10. [EFFECTIVE JANUARY 1, 2001  
 23 (RETROACTIVE)] IC 6-3.1-20, as added by this act, applies only to  
 24 taxable years beginning after December 31, 2000.  
 25 SECTION 11. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1902, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill do pass.

(Reference is to HB 1902 as introduced.)

STEVENSON, Chair

Committee Vote: yeas 13, nays 0.

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## HOUSE MOTION

Mr. Speaker: I move that House Bill 1902 be recommitted to a Committee of One, its sponsor, with specific instructions to amend as follows:

Page 1, line 9, after "for", delete "a" and insert "**the**".

Page 1, line 9, after "reassessment" insert "**of real property to be completed for the March 1, 2002, assessment date**".

Page 1, line 9, after "of", delete "a" and insert "**that**".

Page 1, line 14, delete "each" and insert "**the**".

Page 1, line 14, after "reassessment" insert "**of real property**".

Page 1, line 14, after "county" insert "**to be completed for the March 1, 2002, assessment date**".

Page 2, line 23, delete "under IC 6-1.1-15." and insert "**to the state board of tax commissioners. Except as provided in subsection (e), the procedures and time limitations that apply to an appeal to the state board of tax commissioners of a determination of the county property tax assessment board of appeals under IC 6-1.1-15 apply to an appeal under this subsection. A determination by the state board of tax commissioners of an appeal under this subsection is subject to appeal to the tax court under IC 6-1.1-15.**

**(e) In order to obtain a review by the state board of tax commissioners under subsection (d), the taxpayer must file a petition for review with the appropriate county assessor within forty-five (45) days after the notice of the state board of tax commissioners is given to the taxpayer under subsection (d).**

Page 2, line 24, delete "(e)" and insert "**(f)**".

Page 2, line 28, delete "(f)" and insert "**(g)**".

Page 2, between lines 30 and 31, begin a new paragraph and insert:

**"(h) The state board of tax commissioners may begin the process of selecting a contractor under this section before January 1, 2002, but may not execute a written contract until after that date."**

Page 4, line 3, delete "forty-two" and insert "**seventeen**".

Page 4, line 4, delete "\$42,000" and insert "**(\$17,000)**".

Page 4, line 19, delete "thirty-three" and insert "**eight**".

Page 4, line 20, delete "\$33,000" and insert "**(\$8,000)**".

Replace the effective dates in SECTIONS 2 through 17 with "[EFFECTIVE JANUARY 1, 2002]".

Page 17, delete line 6.

(Reference is to HB 1902 as printed February 22, 2001.)

STEVENSON

EH 1902—LS 7682/DI 94+



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COMMITTEE REPORT

Mr. Speaker: Your Committee of One, to which was referred House Bill 1902, begs leave to report that said bill has been amended as directed.

STEVENSON

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## COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred House Bill No. 1902, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 4-33-12-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 6. (a) The department shall place in the state general fund the tax revenue collected under this chapter.

(b) Except as provided by subsection (c), the treasurer of state shall quarterly pay the following amounts:

(1) One dollar (\$1) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to:

(A) the city in which the riverboat is docked, if the city:

(i) is described in IC 4-33-6-1(a)(1) through IC 4-33-6-1(a)(4) or in IC 4-33-6-1(b); or

(ii) is contiguous to the Ohio River and is the largest city in the county; and

(B) the county in which the riverboat is docked, if the riverboat is not docked in a city described in clause (A).

(2) One dollar (\$1) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the county in which the riverboat is docked. In the case of a county described in subdivision (1)(B), this one dollar (\$1) is in addition to the one dollar (\$1) received under subdivision (1)(B).

(3) Ten cents (\$0.10) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the county convention and visitors bureau or promotion fund for the county in which the riverboat is docked.

(4) Fifteen cents (\$0.15) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during a quarter shall be paid to the state fair commission, for use in any activity that the commission is authorized to carry out under IC 15-1.5-3.

(5) Ten cents (\$0.10) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the division of mental health. The

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division shall allocate at least twenty-five percent (25%) of the funds derived from the admissions tax to the prevention and treatment of compulsive gambling.

(6) Sixty-five cents (\$0.65) of the admissions tax collected by the licensed owner for each person embarking on a riverboat during the quarter shall be paid to the Indiana horse racing commission to be distributed as follows, in amounts determined by the Indiana horse racing commission, for the promotion and operation of horse racing in Indiana:

(A) To one (1) or more breed development funds established by the Indiana horse racing commission under IC 4-31-11-10.

(B) To a racetrack that was approved by the Indiana horse racing commission under IC 4-31. The commission may make a grant under this clause only for purses, promotions, and routine operations of the racetrack. No grants shall be made for long term capital investment or construction and no grants shall be made before the racetrack becomes operational and is offering a racing schedule.

(c) With respect to tax revenue collected from a riverboat that operates on Patoka Lake, the treasurer of state shall quarterly pay the following amounts:

(1) The counties described in IC 4-33-1-1(3) shall receive one dollar (\$1) of the admissions tax collected for each person embarking on the riverboat during the quarter. This amount shall be divided equally among the counties described in IC 4-33-1-1(3).

(2) The Patoka Lake development account established under IC 4-33-15 shall receive one dollar (\$1) of the admissions tax collected for each person embarking on the riverboat during the quarter.

(3) The resource conservation and development program that:

(A) is established under 16 U.S.C. 3451 et seq.; and

(B) serves the Patoka Lake area;

shall receive forty cents (\$0.40) of the admissions tax collected for each person embarking on the riverboat during the quarter.

(4) The state general fund shall receive fifty cents (\$0.50) of the admissions tax collected for each person embarking on the riverboat during the quarter.

(5) The division of mental health shall receive ten cents (\$0.10) of the admissions tax collected for each person embarking on the riverboat during the quarter. The division shall allocate at least twenty-five percent (25%) of the funds derived from the

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admissions tax to the prevention and treatment of compulsive gambling.

(d) Money paid to a unit of local government under subsection (b)(1) through (b)(2) or subsection (c)(1):

(1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both;

(2) may not be used to reduce the unit's maximum ~~or actual~~ levy under IC 6-1.1-18.5, **but may be used at the discretion of the unit to reduce the property tax levy of the unit for a particular year; and**

(3) may be used for any legal or corporate purpose of the unit, including the pledge of money to bonds, leases, or other obligations under IC 5-1-14-4; **and**

**(4) is considered miscellaneous revenue.**

(e) Money paid by the treasurer of state under subsection (b)(3) shall be:

(1) deposited in:

(A) the county convention and visitor promotion fund; or

(B) the county's general fund if the county does not have a convention and visitor promotion fund; and

(2) used only for the tourism promotion, advertising, and economic development activities of the county and community.

(f) Money received by the division of mental health under subsections (b)(5) and (c)(5):

(1) is annually appropriated to the division of mental health;

(2) shall be distributed to the division of mental health at times during each state fiscal year determined by the budget agency; and

(3) shall be used by the division of mental health for programs and facilities for the prevention and treatment of addictions to drugs, alcohol, and compulsive gambling, including the creation and maintenance of a toll free telephone line to provide the public with information about these addictions. The division shall allocate at least twenty-five percent (25%) of the money received to the prevention and treatment of compulsive gambling."

Replace the effective date in SECTION 1 with "[EFFECTIVE UPON PASSAGE]".

Page 1, line 14, delete "appraisal" and insert "**certified public accounting**".

Page 1, line 14, after "firm" insert "**with expertise in the appraisal of real property**".

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Page 1, after line 17, begin a new line block indented and insert:

**"(1) a provision requiring the appraisal firm to:**

**(A) prepare a detailed report of:**

**(i) expenditures made after July 1, 1999, and before the date of the report from the qualifying county's reassessment fund under IC 6-1.1-4-28; and**

**(ii) the balance in the reassessment fund as of the date of the report; and**

**(B) file the report with:**

**(i) the legislative body of the qualifying county;**

**(ii) the prosecuting attorney of the qualifying county;**

**(iii) the state board of tax commissioners; and**

**(iv) the attorney general;"**

Page 2, line 1, delete "(1)" and insert "(2)".

Page 2, line 3, delete "(2)" and insert "(3)".

Page 2, line 6, delete "(3)" and insert "(4)".

Page 2, line 9, delete "(4)" and insert "(5)".

Page 2, line 11, delete "(5)" and insert "(6)".

Page 2, line 13, delete "(4)" and insert "(5)".

Page 2, line 14, delete "(6)" and insert "(7)".

Page 2, line 16, delete "(7)" and insert "(8)".

Page 2, line 19, delete "(8)" and insert "(9)".

Page 3, delete lines 3 through 5, begin a new paragraph and insert:

**"(h) Notwithstanding IC 4-13-2, a period of seven (7) days is permitted for each of the following to review and act under IC 4-13-2 on a contract of the state board of tax commissioners under this section:**

**(1) The commissioner of the department of administration.**

**(2) The director of the budget agency.**

**(3) The attorney general.**

**(4) The governor.**

**(i) With respect to a general reassessment of real property to be completed under IC 6-1.1-4-4 for an assessment date after the March 1, 2002, assessment date, the state board of tax commissioners shall contract with the firm referred to in subsection (c) to initiate a review with respect to the real property in a qualifying county or a township in a qualifying county, or a portion of the real property in a qualifying county or a township in a qualifying county. The contractor shall determine for the real property under consideration and for the qualifying county or township the variance between:**

**(1) the total assessed valuation of the real property within the**

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qualifying county or township; and

(2) the total assessed valuation that would result if the real property within the qualifying county or township were valued in the manner provided by law.

(j) If:

(1) the variance determined under subsection (i) exceeds ten percent (10%); and

(2) the state board of tax commissioners determines after holding hearings on the matter that a special reassessment should be conducted;

the state board shall contract for a special reassessment to be conducted by the firm referred to in subsection (c) to correct the valuation of the property.

(k) If the variance determined under subsection (i) is ten percent (10%) or less, the state board of tax commissioners shall determine whether to correct the valuation of the property under:

(1) sections 9 and 10 of this chapter; or

(2) IC 6-1.1-14-10 and IC 6-1.1-14-11.

(l) The state board of tax commissioners shall give notice by mail to a taxpayer of a hearing concerning the state board's intent to cause the taxpayer's property to be reassessed under this section. The time fixed for the hearing must be at least ten (10) days after the day the notice is mailed. The state board may conduct a single hearing under this section with respect to multiple properties. The notice must state:

(1) the time of the hearing;

(2) the location of the hearing; and

(3) that the purpose of the hearing is to hear taxpayers' comments and objections with respect to the state board's intent to reassess property under this chapter.

(m) If the state board of tax commissioners determines after the hearing that property should be reassessed under this section, the state board shall:

(1) cause the property to be reassessed under this section;

(2) mail a certified notice of its final determination to the county auditor of the qualifying county in which the property is located; and

(3) notify the taxpayer by mail of its final determination.

(n) A reassessment may be made under this section only if the notice of the final determination under subsection (l) is given to the taxpayer within the same period prescribed in IC 6-1.1-9-3 or IC 6-1.1-9-4.

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(o) If the state board of tax commissioners contracts for a special reassessment of property under this section, the state board shall forward the bill for services of the contractor to the county auditor, and the county shall pay the bill from the county reassessment fund.

(p) The provisions of this section are severable in the manner provided in IC 1-1-1-8(b)."

Page 3, delete lines 9 through 42, begin a new paragraph and insert: "Chapter 6.8. Assessments in Qualifying Counties

Sec. 1. As used in this chapter, "agreed to procedures report" means a report based on procedures agreed to by an independent nationally recognized certified public accounting firm and the state board of tax commissioners on:

(1) the accuracy of the implementation of minimum assessed values under sections 6 and 7 of this chapter in a qualifying county by:

(A) the township assessors of the townships in the qualifying county; and

(B) the county property tax assessment board of appeals of the qualifying county;

(2) the accurate application of the rule governing the assessment of real property in the qualifying county;

(3) the accurate conduct of equalization under IC 6-1.1-13-6 in the qualifying county; and

(4) the completeness of the records of the county auditor in assigning an identifying number under IC 6-1.1-5-2 to each parcel of real property in the qualifying county.

Sec. 2. As used in this chapter, "legislative body" has the meaning set forth in IC 36-1-2-9.

Sec. 3. As used in this chapter, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

Sec. 4. As used in this chapter, "single family residence" means a building designed to house one (1) family.

Sec. 5. As used in this chapter, "single family residence land" means the parcel of land on which a single family residence:

(1) is located; or

(2) has been located within the ten (10) years immediately preceding the assessment date for which a minimum assessed value is determined under this chapter.

Sec. 6. The minimum assessed value of a single family residence located in a qualifying county is seventeen thousand dollars

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(\$17,000).

**Sec. 7.** The minimum assessed value of single family residence land located in a qualifying county is three thousand dollars (\$3,000).

**Sec. 8.** A minimum assessed value under this chapter is presumed to be accurate unless the inaccuracy of the minimum assessment is established by clear and convincing evidence.

**Sec. 9.** With respect to each year in which a general reassessment of real property is completed as required under IC 6-1.1-4-4, the state board of tax commissioners shall contract for an independent nationally recognized certified public accounting firm to:

- (1) conduct a review of the accuracy of the implementation referred to in section 1(1) of this chapter;
- (2) conduct a review of the accuracy of the application of the rule governing the assessment of real property in the qualifying county;
- (3) conduct a review of the accuracy of the conduct of equalization under IC 6-1.1-13-6 in the qualifying county;
- (4) conduct a review of the completeness of the records of the county auditor in assigning an identifying number under IC 6-1.1-5-2 to each parcel of real property in the qualifying county; and
- (5) prepare an agreed to procedures report.

**Sec. 10.** The state board of tax commissioners shall contract under section 9 of this chapter with the same firm that contracts with the board under IC 6-1.1-4-32(c) and IC 6-1.1-6.9.

**Sec. 11.** The firm that prepares the agreed to procedures report shall submit the report to:

- (1) the legislative body of the qualifying county;
- (2) the prosecuting attorney of the qualifying county;
- (3) the state board of tax commissioners; and
- (4) the attorney general.

**Sec. 12.** If the state board of tax commissioners determines from the agreed to procedures report that:

- (1) the minimum assessed values established in this chapter were not accurately applied in the qualifying county, or in any part of the qualifying county;
- (2) the rule governing the assessment of real property was not accurately applied in the qualifying county, or in any part of the qualifying county; or
- (3) equalization was not properly conducted under

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**IC 6-1.1-13-6 in the qualifying county, or in any part of the qualifying county;**  
**the state board shall implement the proper values that would result from the correct application of the minimum assessed values established in this chapter and the rule governing the assessment of real property in the qualifying county.**

**Sec. 13. If the state board of tax commissioners determines from the agreed to procedures report that any parcel of real property has not been assigned an identifying number under IC 6-1.1-5-2 and does not appear on the records of the county auditor, the state board shall ensure that the parcel is properly identified and is properly assessed under the rule governing the assessment of real property in the qualifying county.**

**Sec. 14. The provisions of this chapter are severable in the manner provided in IC 1-1-1-8(b).**

**SECTION 4. IC 6-1.1-6.9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]:**

**Chapter 6.9. Residential Deductions and Exemptions in Qualifying Counties**

**Sec. 1. As used in this chapter, "agreed to procedures report" means a report based on procedures agreed to by an independent nationally recognized certified public accounting firm and the state board of tax commissioners on the accuracy of:**

- (1) the implementation by the county auditor of the qualifying county of maximum combined deductions under section 7 of this chapter;**
- (2) the implementation of the limitation on net assessed value under section 8 of this chapter by:**
  - (A) the township assessors of the townships in the qualifying county;**
  - (B) the county auditor of the qualifying county; and**
  - (C) the county property tax assessment board of appeals of the qualifying county;**
- (3) the implementation by the county auditor of the qualifying county of the limitations under IC 6-1.1-12 on the application against the assessed values of multiple parcels of deductions under a section in an amount that exceeds the maximum deduction amount stated in the section;**
- (4) the implementation by the county property tax assessment board of appeals of the qualifying county of the exemption limitation under IC 6-1.1-10-16(d)(3); and**



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(5) the correct determination and application of all exemptions on real property under IC 6-1.1-10.

Sec. 2. As used in this chapter, "legislative body" has the meaning set forth in IC 36-1-2-9.

Sec. 3. As used in this chapter, "net assessed value" means the remainder of:

(1) the combined assessed value of a single family residence and the single family residence land upon which the residence is located; minus

(2) the combined deductions under IC 6-1.1-12 applicable to the combined assessed value of the single family residence and the single family residence land upon which the residence is located.

Sec. 4. As used in this chapter, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

Sec. 5. As used in this chapter, "single family residence" means a building designed to house one (1) family.

Sec. 6. As used in this chapter, "single family residence land" means the parcel of land on which a single family residence:

(1) is located; or

(2) has been located within the ten (10) years immediately preceding the assessment date for which a minimum assessed value is determined under this chapter.

Sec. 7. The maximum combined deductions under IC 6-1.1-12 applicable to the combined assessed value of a single family residence and the single family residence land upon which the residence is located in a qualifying county is twelve thousand dollars (\$12,000).

Sec. 8. The application of deductions under IC 6-1.1-12 may not reduce the net assessed value of a single family residence and the single family residence land upon which the residence is located in a qualifying county to an amount less than eight thousand dollars (\$8,000).

Sec. 9. With respect to each year in which a general reassessment of real property is completed as required under IC 6-1.1-4-4, the state board of tax commissioners shall contract for an independent nationally recognized certified public accounting firm to:

(1) conduct a review of the accuracy of:

(A) the implementations referred to in section 1(1) through 1(4) of this chapter; and

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- (B) the correct determination and application of exemptions referred to in section 1(5) of this chapter; and  
 (2) prepare an agreed to procedures report.

Sec. 10. The state board of tax commissioners shall contract under section 9 of this chapter with the same firm that contracts with the board under IC 6-1.1-4-32(c) and IC 6-1.1-6.8.

Sec. 11. The firm that prepares the agreed to procedures report shall submit the report to:

- (1) the legislative body of the qualifying county;
- (2) the prosecuting attorney of the qualifying county;
- (3) the state board of tax commissioners; and
- (4) the attorney general.

Sec. 12. If the state board of tax commissioners determines from the agreed to procedures report that the implementations referred to in section 1(1) through 1(4) of this chapter were not accurate in the qualifying county, or in any part of the qualifying county, the state board shall correct the implementations. If the state board of tax commissioners determines from the agreed to procedures report that the determination and application of exemptions referred to in section 1(5) of this chapter were not correct in the qualifying county, or in any part of the qualifying county, the state board shall correct the exemptions. The state board of tax commissioners may correct the implementations and exemptions subject to the same authority and limitations that apply to the reassessment of property by the state board under IC 6-1.1-14-10.

Sec. 13. The provisions of this chapter are severable in the manner provided in IC 1-1-1-8(b)."

Delete page 4.

Page 5, delete lines 1 through 26.

Replace the effective date in SECTIONS 3 through 16 with "[EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]:".

Page 6, line 6, delete "limitation" and insert "limitations".

Page 6, line 7, delete "IC 6-1.1-6.8-10" and insert "IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8".

Page 6, line 8, after "IC 6-1.1-12-9" insert ", AS AMENDED BY P.L.155-1999, SECTION 1, P.L.6-1997, SECTION 46, AND P.L.155-1999, SECTION 2,".

Page 6, line 8, after "AMENDED" insert "AND IS CORRECTED".

Page 6, delete lines 24 through 42, begin a new line block indented and insert:

"for the calendar year preceding the year in which the deduction is claimed did not exceed *twenty thousand dollars (\$20,000)*"

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*twenty-five thousand dollars (\$25,000);*

(3) the individual has owned the real property or mobile home for at least one (1) year before claiming the deduction; or the individual has been buying the real property under a contract that provides that the individual is to pay the property taxes on the real property or mobile home for at least one (1) year before claiming the deduction, and the contract or a memorandum of the contract is recorded in the county recorder's office;

(4) the individual and any individuals covered by subdivision (2)(B) reside on the real property or in the mobile home;

(5) the assessed value of the real property or mobile home does not exceed *twenty-three thousand dollars (\$23,000) sixty-three thousand dollars (\$63,000) sixty-nine thousand dollars (\$69,000)*; and

(6) the individual receives no other property tax deduction for the year in which the deduction is claimed, except the deductions provided by sections 1, 37, and 38 of this chapter.

(b) Except as provided in subsection (h), in the case of real property, an individual's deduction under this section equals *three thousand dollars (\$3,000) the lesser of:*

- (1) *one-half (1/2) of the assessed value of the real property; or*
- (2) *two thousand dollars (\$2,000) six thousand dollars (\$6,000).*

(c) Except as provided in subsection (h), in the case of a mobile home which is not assessed as real property, an individual's deduction under this section equals the lesser of:

- (1) *one-half (1/2) of the assessed value of the mobile home; or*
- (2) *two thousand dollars (\$2,000) three thousand dollars (\$3,000) six thousand dollars (\$6,000).*

Page 7, delete lines 1 through 6.

Page 7, line 39, delete "limitation" and insert "**limitations**".

Page 7, line 40, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 8, line 38, delete "limitation" and insert "**limitations**".

Page 8, line 39, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 9, line 33, delete "limitation" and insert "**limitations**".

Page 9, line 34, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 10, line 28, delete "limitation" and insert "**limitations**".

Page 10, line 29, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 11, line 8, delete "limitation" and insert "**limitations**".



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Page 11, line 9, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 11, line 37, delete "limitation" and insert "**limitations**".

Page 11, line 38, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 12, line 33, delete "limitation" and insert "**limitations**".

Page 12, line 34, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 13, line 20, delete "limitation" and insert "**limitations**".

Page 13, line 21, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 13, line 40, delete "limitation" and insert "**limitations**".

Page 13, line 41, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 14, line 14, delete "limitation" and insert "**limitations**".

Page 14, line 15, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 14, line 30, delete "limitation" and insert "**limitations**".

Page 14, line 31, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 15, line 4, delete "limitation" and insert "**limitations**".

Page 15, line 5, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 15, line 23, delete "limitation" and insert "**limitations**".

Page 15, line 24, delete "IC 6-1.1-6.8-10" and insert "**IC 6-1.1-6.9-7 and IC 6-1.1-6.9-8**".

Page 16, line 42, delete "IC 6-1.1-6.8-2" and insert "**IC 6-1.1-6.8-3**".

Page 17, after line 24, begin a new paragraph and insert:

"SECTION 20. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]:

**Chapter 20. Income Tax Credit For Property Taxes Paid on Homesteads**

**Sec. 1. As used in this chapter, "earned income" means the sum of the:**

**(1) wages, salaries, tips, and other employee compensation; and**

**(2) net earnings from self-employment (as computed under Section 32(c)(2) of the Internal Revenue Code);**

**of an individual taxpayer, and the individual's spouse, if the individual files a joint adjusted gross income tax return.**

**Sec. 2. As used in this chapter, "homestead" has the meaning set**



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forth in IC 6-1.1-20.9-1.

**Sec. 3.** As used in this chapter, "state income tax liability" means an individual's adjusted gross income tax liability under IC 6-3.

**Sec. 4.** An individual is entitled to a credit under this chapter if the:

- (1) individual's earned income for the taxable year is less than eighteen thousand six hundred (\$18,600); and
- (2) the individual pays property taxes in the taxable year on a homestead that:
  - (A) the individual:
    - (i) owns; or
    - (ii) is buying under a contract that requires the individual to pay property taxes on the homestead, if the contract or a memorandum of the contract is recorded in the county recorder's office; and
  - (B) is located in a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

**Sec. 5. (a)** Each year, an individual described in section 4 of this chapter is entitled to a refundable credit against the individual's state income tax liability in the amount determined under this section.

**(b)** In the case of an individual with earned income of less than eighteen thousand dollars (\$18,000) for the taxable year, the amount of the credit is equal to the lesser of:

- (1) three hundred dollars (\$300); or
- (2) the amount of property taxes described in section 4(2) of this chapter paid by the individual in the taxable year.

**(c)** In the case of an individual with earned income that is at least eighteen thousand dollars (\$18,000) but less than eighteen thousand six hundred dollars (\$18,600) for the taxable year, the amount of the credit is equal to the lesser of the following:

- (1) An amount determined under the following STEPS:
 

**STEP ONE:** Determine the result of:

  - (i) eighteen thousand six hundred dollars (\$18,600); minus
  - (ii) the individual's earned income for the taxable year.

**STEP TWO:** Determine the result of:

  - (i) the STEP ONE amount; multiplied by
  - (ii) five-tenths (0.5).
- (2) The amount of property taxes described in section 4(2) of

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this chapter paid by the individual in the taxable year.

(d) If the amount of the credit under this chapter exceeds the individual's state tax liability for the taxable year, the excess shall be refunded to the taxpayer.

Sec. 6. To obtain the credit provided by this chapter, an individual must file with the department information concerning the property taxes paid on the individual's homestead and any other information required by the department.

Sec. 7. (a) The department shall before July 1 of each year determine the amount of credits allowed under this chapter for taxable years ending before January 1 of the year.

(b) If the county described in section 4(2)(B) of this chapter has adopted a county adjusted gross income tax under IC 6-3.5-1.1 or a county option income tax under IC 6-3.5-6, the amount determined by the department under subsection (a) shall be deducted during the year from:

- (1) the special account within the state general fund established for the county under IC 6-3.5-1.1-8, if the county has adopted the county adjusted gross income tax; or
- (2) the special account within the state general fund established for the county under 6-3.5-6-16, if the county has adopted the county option income tax.

(c) The amounts deducted from the county's special account under this section shall be transferred to the state general fund. The amount of the certified distributions that would otherwise be payable to the county during the year from county adjusted gross income tax or county option income tax shall be reduced by the amount deducted from the county's special account.

(d) If the county described in section 4(2)(B) of this chapter has not adopted a county adjusted gross income tax under IC 6-3.5-1.1 or a county option income tax under IC 6-3.5-6, or if the amount determined under subsection (a) exceeds the balance in the county's special account under IC 6-3.5-1.1-8 or IC 6-3.5-6-16, an amount equal to:

- (1) the amount determined under subsection (a) for the year; minus
- (2) the amounts deducted during the year from the county's special account under IC 6-3.5-1.1-8 or IC 6-3.5-6-16, if the county has adopted a county adjusted gross income tax or a county option income tax;

shall be deducted from the riverboat admissions tax revenue otherwise payable to the county under IC 4-33-12-6(b)(2) and shall

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instead be paid to the state general fund.

SECTION 21. IC 6-3.5-8 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

**Chapter 8. Municipal Option Income Tax**

**Sec. 1.** As used in this chapter, "adjusted gross income" has the meaning set forth in IC 6-3-1-3.5. However, in the case of a municipal taxpayer who is not treated as a resident municipal taxpayer of a municipality, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

**Sec. 2.** As used in this chapter, "department" refers to the department of state revenue.

**Sec. 3.** As used in this chapter, "fiscal body" has the meaning set forth in IC 36-1-2-6.

**Sec. 4.** As used in this chapter, "municipal option income tax" refers to the tax authorized by this chapter.

**Sec. 5.** As used in this chapter, "municipal taxpayer", as it relates to a particular municipality, means any individual:

- (1) who resides in that municipality on the date specified in section 21 of this chapter; or
- (2) who maintains the individual's principal place of business or employment in that municipality on the date specified in section 21 of this chapter and who does not reside on that same date in:
  - (A) a county in which the county option income tax, the county adjusted gross income tax, or the county economic development income tax is in effect; or
  - (B) a municipality in which the municipal option income tax is in effect.

**Sec. 6.** As used in this chapter, "municipality" has the meaning set forth in IC 36-1-2-11.

**Sec. 7.** As used in this chapter, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

**Sec. 8.** As used in this chapter, "resident municipal taxpayer", as it relates to a particular municipality, means any municipal taxpayer who resides in that municipality on the date specified in section 21 of this chapter.

**Sec. 9.** (a) Except as provided in subsections (c) and (f) and in section 12(c) of this chapter, the fiscal body of a municipality located in a qualifying county may impose a municipal option

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income tax, which consists of a tax on the adjusted gross income of municipal taxpayers of the municipality. If the tax is imposed, the tax takes effect:

- (1) September 1, 2001, if the fiscal body adopts an ordinance to impose the tax before July 1, 2001; or
- (2) July 1 of the year that the ordinance imposing the tax is adopted, if the ordinance is adopted in 2002 or a later calendar year.

(b) A municipal fiscal body shall hold a public hearing on the proposed ordinance before adopting an ordinance under subsection (a). The municipal fiscal body shall give public notice of the public hearing under IC 5-3-1.

(c) A fiscal body may not impose a municipal option income tax under subsection (a) for a period in which the county adjusted gross income tax, the county option income tax, the economic development income tax, or the property tax reduction income tax is in effect in the qualifying county in which the municipality is located.

(d) If during a particular calendar year the fiscal body of a municipality in a qualifying county adopts an ordinance to impose the municipal option income tax in the municipality effective for July 1 of that calendar year and the fiscal body of the qualifying county in which the municipality is located adopts an ordinance to impose the county property tax reduction income tax in the qualifying county effective for July 1 of that calendar year, the county property tax reduction income tax takes effect in the qualifying county and the municipal option income tax does not take effect in the municipality.

(e) If during a particular calendar year:

- (1) the fiscal body of a qualifying county adopts an ordinance to impose the county property tax reduction income tax effective July 1 of the calendar year; and
- (2) a municipality located in the qualifying county has a municipal option income tax in effect under an ordinance adopted in a previous calendar year;

the municipal option income tax in the municipality is rescinded effective July 1 of the calendar year in which the ordinance is adopted under subdivision (1).

(f) A fiscal body may not impose a municipal option income tax for a calendar year that begins after December 31, 2005.

**Sec. 10. (a)** The maximum rate of the municipal option income tax imposed on a resident municipal taxpayer under this chapter

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is one percent (1%). The maximum rate of the municipal option income tax imposed on all other municipal taxpayers under this chapter is one-half percent (0.5%).

(b) A municipal option income tax imposed under this chapter applies to resident municipal taxpayers and all other municipal taxpayers. The municipal option income tax rate in effect for the municipal taxpayers of a municipality who are not resident municipal taxpayers of that municipality is at all times one-half (1/2) of the tax rate imposed upon resident municipal taxpayers.

Sec. 11. (a) To impose a municipal option income tax to take effect September 1, 2001, the fiscal body of a municipality in a qualifying county must adopt an ordinance before July 1, 2001. The ordinance must substantially state the following:

"The \_\_\_\_\_ Fiscal Body imposes the municipal option income tax on the municipal taxpayers of \_\_\_\_\_ (insert name of municipality). The income tax is imposed at a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the resident municipal taxpayers of the municipality and at a rate of \_\_\_\_ percent (\_\_\_\_%) on all other municipal taxpayers. The income tax takes effect September 1, 2001."

(b) An ordinance adopted under subsection (a) takes effect September 1, 2001.

(c) To impose a municipal option income tax in 2002 or in a later year, the fiscal body of a municipality that does not adopt an ordinance under subsection (a) must, after February 15 but before May 1 of a year, adopt an ordinance. The ordinance must substantially state the following:

"The \_\_\_\_\_ Fiscal Body imposes the municipal option income tax on the municipal taxpayers of \_\_\_\_\_ (insert name of municipality). The income tax is imposed at a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the resident municipal taxpayers of the municipality and at a rate of \_\_\_\_ percent (\_\_\_\_%) on all other municipal taxpayers. The income tax takes effect July 1 of this year."

(d) An ordinance adopted under subsection (c) takes effect July 1 of the year the ordinance is adopted.

Sec. 12. (a) If the fiscal body of a municipality in a qualifying county adopts an ordinance under section 11(a) of this chapter, the state board of tax commissioners may not certify a budget for the municipality under IC 6-1.1-17-16(f) for the 2002 calendar year that is greater than ninety-seven percent (97%) of the budget of the municipality certified by the state board for the 2001 calendar



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year. The state board of tax commissioners may not certify a budget for the municipality under IC 6-1.1-17-16(f) for any later calendar year that is greater than ninety-seven percent (97%) of the budget of the municipality certified by the state board for the calendar year that immediately precedes the later calendar year.

(b) If the fiscal body of a municipality in a qualifying county adopts an ordinance in a calendar year under section 11(c) of this chapter, the state board of tax commissioners may not certify a budget for the municipality under IC 6-1.1-17-16(f) for the calendar year that immediately succeeds the calendar year in which the ordinance is adopted that is greater than ninety-seven percent (97%) of the budget of the municipality certified by the state board for the calendar year in which the ordinance was adopted. The state board of tax commissioners may not certify a budget for the municipality under IC 6-1.1-17-16(f) for any later calendar year that is greater than ninety-seven percent (97%) of the budget of the municipality certified by the state board for the calendar year that immediately precedes the later calendar year.

(c) Before July 1 of 2002 and of each year thereafter, the state board of tax commissioners shall review the budget approved for each municipality in a qualifying county in which a municipal option income tax is in effect to determine whether the restriction under subsection (a) or (b) has been applied. If the restriction has not been applied:

- (1) the municipal option income tax is rescinded as of July 1 of the year in which the review was made;
- (2) the municipality may not impose the municipal option income tax for any later year; and
- (3) the municipality is:
  - (A) subject to subsection (d), if the municipality adopted the municipal option income tax in 2002; or
  - (B) subject to subsection (e), if the municipality adopted the municipal option income tax in a year that succeeds 2002.

(d) In May 2003, the department of state revenue shall determine for each municipality subject to this subsection the amount of tax revenue collected for the municipality after August 31, 2001, and before July 1, 2002. The department of state revenue shall immediately notify the municipality of the amount determined under this subsection. Not later than thirty (30) days after receiving notification from the department of state revenue, the municipality shall transfer the amount determined by the

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department under this subsection from the municipality's general fund to the county family and children's fund of the qualifying county in which the municipality is located.

(e) In May 2004, and in May of each year thereafter, the department of state revenue shall determine for each municipality subject to this subsection the amount of tax revenue collected for the municipality after June 30 of the calendar year that precedes by two (2) years the calendar year in which the determination is made and before July 1 of the year that immediately precedes the calendar year in which the determination is made. The department of state revenue shall immediately notify the municipality of the amount determined under this subsection. Not later than thirty (30) days after receiving notification from the department of state revenue, the municipality shall transfer the amount determined by the department under this subsection from the municipality's general fund to the county family and children's fund of the qualifying county in which the municipality is located.

(f) If a municipality makes a transfer from its general fund to the county's family and children's fund as described in subsection (d) or (e), the state board of tax commissioners shall reduce by the amount transferred the county's maximum family and children's fund levy under IC 6-1.1-18.6 for the calendar year that immediately succeeds the year in which the transfer is made.

Sec. 13. (a) The fiscal body of a municipality may increase or decrease the rate of a municipal option income tax. To increase or decrease the rate, the fiscal body must, after January 1 but before May 1 of a year, adopt an ordinance. The ordinance must substantially state the following:

"The \_\_\_\_\_ Fiscal Body increases (or decreases) the rate of the municipal option income tax. The tax rate with respect to resident municipal taxpayers is increased (or decreased) from (insert current rate) to (insert proposed rate). The tax rate with respect to all other municipal taxpayers is increased (or decreased) from (insert current rate) to (insert proposed rate). This tax rate increase (or decrease) takes effect July 1 of this year.

(b) A fiscal body shall hold a public hearing on the proposed ordinance before adopting an ordinance under subsection (a). The municipal fiscal body shall give public notice of the public hearing under IC 5-3-1.

(c) An ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.



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**Sec. 14. (a) A municipal option income tax imposed by a fiscal body under this chapter remains in effect until the earlier of:**

- (1) the date the tax is rescinded; or**
- (2) December 31, 2005.**

**(b) A fiscal body may rescind the municipal option income tax by adopting an ordinance to rescind the tax after January 1 but before June 1 of a year.**

**(c) A fiscal body shall hold a public hearing on the proposed ordinance before adopting an ordinance under subsection (b). The municipal fiscal body shall give public notice of the public hearing under IC 5-3-1.**

**(d) An ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.**

**Sec. 15. Immediately upon adoption under this chapter of an ordinance to impose or rescind a municipal option income tax, or an ordinance to increase or decrease the rate of the tax, the legislative body of the municipality shall send a certified copy of the ordinance to the department by certified mail.**

**Sec. 16. If a municipal option income tax is not in effect during an individual taxpayer's entire taxable year, the amount of municipal option income tax that the taxpayer owes for that taxable year equals the product of:**

- (1) the amount of the municipal option income tax the taxpayer would owe if the tax had been imposed during the taxpayer's entire taxable year; multiplied by**
- (2) a fraction. The numerator equals the number of days during the taxpayer's taxable year that the municipal option income tax was in effect. The denominator equals the total number of days in the taxpayer's taxable year.**

**Sec. 17. (a) If, for a particular taxable year, an individual taxpayer is allowed, or a municipal taxpayer and the municipal taxpayer's spouse who file a joint return are allowed, a credit for the elderly or the totally disabled under Section 22 of the Internal Revenue Code (as defined in IC 6-3-1-11), the municipal taxpayer is entitled or the municipal taxpayer and the municipal taxpayer's spouse are entitled to a credit against their municipal option income tax liability for that same taxable year. The amount of the credit equals the lesser of the following:**

- (1) The product of:**
  - (A) the credit for the elderly or the totally disabled for the same taxable year; multiplied by**
  - (B) a fraction. The numerator is the municipal option**

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income tax rate imposed against the municipal taxpayer or the municipal taxpayer and the municipal taxpayer's spouse. The denominator is fifteen-hundredths (0.15).

(2) The amount of municipal option income tax imposed on the municipal taxpayer or the municipal taxpayer and the municipal taxpayer's spouse.

(b) If a municipal taxpayer and the municipal taxpayer's spouse file a joint return and are subject to different municipal option income tax rates for the same taxable year, they shall compute the credit under this section by using the formula provided in subsection (a), except that they shall use the average of the two (2) tax rates imposed against them as the numerator referred to in subsection (a)(1)(B).

Sec. 18. (a) Revenue derived from the imposition of a municipal option income tax shall, in the manner prescribed by this section, be distributed to the municipality that imposed the tax. The amount that is to be distributed to a municipality during an ensuing calendar year equals the amount of municipal option income tax revenue that the department, after reviewing the recommendation of the budget agency, estimates will be received from that municipality during the twelve (12) month period beginning July 1 of the immediately preceding calendar year and ending June 30 of the ensuing calendar year.

(b) Before June 16 of each calendar year, the department, after reviewing the recommendation of the budget agency, shall estimate and certify to each adopting municipality and to the county auditor of the qualifying county the amount of municipal option income tax revenue that will be collected from that municipality during the twelve (12) month period beginning July 1 of that calendar year and ending June 30 of the immediately succeeding calendar year. The amount certified is the municipality's "certified distribution" for the immediately succeeding calendar year. The amount certified may be adjusted under subsection (c) or (d).

(c) The department may certify to an adopting municipality an amount that is greater than the estimated twelve (12) month revenue collection if the department, after reviewing the recommendation of the budget agency, determines that there will be a greater amount of revenue available for distribution from the municipality's account established under section 19 of this chapter.

(d) The department may certify an amount less than the estimated twelve (12) month revenue collection if the department, after reviewing the recommendation of the budget agency,

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determines that a part of those collections needs to be distributed during the current calendar year so that the municipality will receive its full certified distribution for the current calendar year.

(e) One-twelfth (1/12) of each adopting municipality's certified distribution for a calendar year shall be distributed from its account established under section 19 of this chapter to the appropriate municipality on the first day of each month of that calendar year.

(f) All distributions from an account established under section 19 of this chapter shall be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

**Sec. 19. (a)** A special account within the state general fund shall be established for each municipality adopting a municipal option income tax. Revenue derived from the imposition of the municipal option income tax shall be deposited in that municipality's account in the state general fund.

(b) Income earned on money held in an account under subsection (a) becomes a part of that account.

(c) Revenue remaining in an account established under subsection (a) at the end of a state fiscal year does not revert to the state general fund.

**Sec. 20. (a)** The state board of tax commissioners shall each year reduce the general fund property tax levy of a municipality receiving a distribution under this chapter in that year. The municipality's general fund property tax levy shall be reduced by the amount of the distribution received or to be received by the municipality during the year. The state board of tax commissioners shall certify to the auditor of the qualifying county the property tax rate applicable to the municipality's general fund after the property tax reduction under this section.

(b) A municipality shall treat a distribution that the municipality receives or is to receive during a particular calendar year as a part of the municipality's property tax levy for the general fund for that same calendar year for purposes of fixing the municipality's budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5. However, the distributions shall not reduce the total county tax levy that is used to compute the state property tax replacement credit under IC 6-1.1-21. In addition, for purposes of computing and distributing any excise taxes or income taxes in which the distribution is based on property taxes, the distributions shall be treated as though they

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were property taxes that were due and payable during that same calendar year.

(c) A municipality may use distributions received under this chapter for any purpose for which the municipality may use property tax revenues.

**Sec. 21. (a)** For purposes of this chapter, an individual shall be treated as a resident municipal taxpayer of the municipality in which the individual:

- (1) maintains a residence, if the individual maintains only one
- (1) residence in Indiana;
- (2) if subdivision (1) does not apply, registers to vote;
- (3) if subdivision (1) or (2) does not apply, registers the individual's personal automobile; or
- (4) if subdivision (1), (2), or (3) does not apply, spends the majority of the individual's time in Indiana during the taxable year in question.

(b) Whether an individual is a resident municipal taxpayer is determined on January 1 of the calendar year in which the individual's taxable year commences. If an individual changes the location of the individual's residence to another location in Indiana during a calendar year, the individual's liability for municipal option income tax is not affected.

**Sec. 22. (a)** Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

- (1) definitions;
- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) remittances;
- (5) incorporation of the provisions of the Internal Revenue Code;
- (6) penalties and interest;
- (7) exclusion of military pay credits for withholding; and
- (8) exemptions and deductions;

apply to the imposition, collection, and administration of the municipal option income tax. The municipal option income tax is a listed tax and an income tax for purposes of IC 6-8.1.

(b) The provisions of IC 6-3-1-3.5(a)(5), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the municipal option income tax.

(c) Each employer shall report to the department the amount of withholdings attributable to each municipality. This report shall annually be submitted with the employer's withholding report.



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**Sec. 23.** Before February 1 of each year, the department shall submit a report to each municipality indicating the balance at the end of the preceding year in the municipality's account established under section 19 of this chapter.

**Sec. 24. (a)** Except as provided in subsection (b), if for a particular taxable year a municipal taxpayer is liable for an income tax imposed by a county, city, town, or other local governmental entity located outside of Indiana, that municipal taxpayer is entitled to a credit against the municipal option income tax liability for that same taxable year. The amount of the credit equals the amount of tax imposed by the other governmental entity on income derived from sources outside Indiana and subject to the municipal option income tax. However, the credit provided by this section may not reduce a municipal taxpayer's municipal option income tax liability to an amount that is less than what would have been owed if the income subject to taxation by the other governmental entity had been ignored.

**(b)** The credit provided by this section does not apply to a municipal taxpayer to the extent that the other governmental entity provides for a credit to the taxpayer for the amount of municipal option income taxes owed under this chapter.

**(c)** To claim the credit provided by this section, a municipal taxpayer must provide the department with satisfactory evidence that the taxpayer is entitled to the credit.

**Sec. 25.** If for any taxable year a municipal taxpayer is subject to different tax rates for the municipal option income tax imposed by a municipality, the taxpayer's municipal option income tax rate for that municipality and that taxable year is the rate determined in the last STEP of the following STEPS:

**STEP ONE:** Multiply the number of months in the taxpayer's taxable year that precede July 1 by the rate in effect before the rate change.

**STEP TWO:** Multiply the number of months in the taxpayer's taxable year that follow June 30 by the rate in effect after the rate change.

**STEP THREE:** Divide the sum of the amounts determined under STEPS ONE and TWO by twelve (12).

SECTION 22. IC 6-3.5-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]:

**Chapter 9. County Property Tax Reduction Income Tax**

**Sec. 1.** As used in this chapter, "adjusted gross income" has the

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same definition that the term is given in IC 6-3-1-3.5. However, in the case of a county taxpayer who is not treated as a resident county taxpayer of a county, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

Sec. 2. As used in this chapter, "county taxpayer", as it relates to a qualifying county, means any individual:

- (1) who resides in the qualifying county on the date specified in section 18 of this chapter; or
- (2) who maintains the individual's principal place of business or employment in the qualifying county on the date specified in section 18 of this chapter and who does not reside on that same date in:
  - (A) another county in which the county option income tax, the county adjusted gross income tax, the county economic development income tax, or the county property tax reduction income tax is in effect; or
  - (B) a municipality in which the municipal option income tax is in effect.

Sec. 3. As used in this chapter, "department" refers to the department of state revenue.

Sec. 4. As used in this chapter, "fiscal body" has the meaning set forth in IC 36-1-2-6.

Sec. 5. As used in this chapter, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

Sec. 6. As used in this chapter, "resident county taxpayer", as it relates to a qualifying county, means any county taxpayer who resides in the qualifying county on the date specified in section 18 of this chapter.

Sec. 7. (a) A county fiscal body may adopt ordinances to:

- (1) impose the county property tax reduction income tax in its county;
- (2) subject to section 10 of this chapter, rescind the county property tax reduction income tax in its county;
- (3) increase the county property tax reduction income tax rate for the county; or
- (4) subject to section 12 of this chapter, decrease the county property tax reduction income tax rate for the county.

The affirmative votes of five (5) members of the fiscal body are required to adopt an ordinance under this subsection.

(b) An ordinance adopted in a particular year under this

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chapter to impose or rescind the county property tax reduction income tax or to increase its tax rate is effective July 1 of that year.

(c) If the fiscal body of a qualifying county adopts an ordinance in a calendar year to impose a county property tax reduction income tax under this chapter, the state board of tax commissioners may not certify a budget for the qualifying county under IC 6-1.1-17-16(f) for the calendar year that immediately succeeds the calendar year in which the ordinance is adopted that is greater than ninety-seven percent (97%) of the budget of the qualifying county certified by the state board for the calendar year in which the ordinance was adopted. The state board of tax commissioners may not certify a budget for the qualifying county under IC 6-1.1-17-16(f) for any later calendar year that is greater than ninety-seven percent (97%) of the budget of the qualifying county certified by the state board for the calendar year that immediately precedes the later calendar year.

Sec. 8. (a) Before a county fiscal body may propose an ordinance or vote on a proposed ordinance, the fiscal body must hold a public hearing on the proposed ordinance and provide the public with notice of the time and place where the public hearing will be held.

(b) The notice required by subsection (a) must be given in accordance with IC 5-3-1.

(c) The form of the notice required by this section must be in substantially the following form:

**"NOTICE OF COUNTY PROPERTY TAX  
REDUCTION INCOME TAX ORDINANCE VOTE.**

The fiscal body of \_\_\_\_\_ (insert name of county) County hereby declares that on \_\_\_\_\_ (insert date) at \_\_\_\_\_ (insert the time of day) a public hearing will be held at \_\_\_\_\_ (insert location) concerning the following proposed ordinance that is before the county fiscal body. Members of the public are cordially invited to attend the hearing for the purpose of expressing their views.

(Insert a copy of the proposed ordinance.)".

Sec. 9. (a) The county fiscal body of a qualifying county may impose the county property tax reduction income tax on the adjusted gross income of county taxpayers of its county. If the tax is imposed, the tax takes effect July 1 of the year that the ordinance imposing the tax is adopted.

(b) The maximum rate of the tax imposed on a resident county taxpayer under this chapter is one percent (1%). The maximum rate of the tax imposed on all other county taxpayers under this

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chapter is one-half percent (0.5%).

(c) A county property tax reduction income tax imposed under this chapter applies to resident county taxpayers and all other county taxpayers. The county property tax reduction income tax rate in effect for the county taxpayers of a qualifying county who are not resident county taxpayers of that qualifying county is at all times one-half (1/2) of the tax rate imposed upon resident county taxpayers.

(d) To impose the county property tax reduction income tax, a county fiscal body must, after February 15 but before May 1 of the year, pass an ordinance. The ordinance must substantially state the following:

"The \_\_\_\_\_ County Fiscal Body imposes the county property tax reduction income tax on the county taxpayers of \_\_\_\_\_ County. The county property tax reduction income tax is imposed at a rate of \_\_\_\_ percent (\_\_\_%) on the resident county taxpayers of the county and at a rate of \_\_\_\_\_ percent (\_\_\_%) on all other county taxpayers. This tax takes effect July 1 of this year."

(e) An ordinance adopted under subsection (d) takes effect July 1 of the year the ordinance is adopted.

(f) The auditor of a county shall record all votes taken on ordinances presented for a vote under this section and immediately send a certified copy of the results to the department by certified mail.

Sec. 10. (a) Except as provided in section 11 of this chapter, the county property tax reduction income tax imposed by a county fiscal body under this chapter remains in effect until:

- (1) the date the tax is rescinded; or
- (2) December 31, 2005.

(b) The county fiscal body of a qualifying county may rescind the county property tax reduction income tax by passing an ordinance to rescind the tax after January 1 but before April 1 of a year.

(c) The auditor of a county shall record all votes taken on a proposed ordinance presented for a vote under the authority of this section and immediately send a certified copy of the results to the department by certified mail.

Sec. 11. On January 1 of 2003 and of each year thereafter, the state board of tax commissioners shall determine for each qualifying county in which a property tax reduction income tax is in effect the number of full-time employees on the payroll of the



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qualifying county. If the number of full-time employees on the payroll of the qualifying county on April 1, 2001, is not greater than the number of employees determined by the state board of tax commissioners under this section by at least two hundred fifty (250):

- (1) the county property tax reduction income tax is rescinded as of July 1 of the year in which the determination was made; and
- (2) the qualifying county may not impose the county property tax reduction income tax for any later year.

Sec. 12. (a) The county fiscal body of a qualifying county may adopt an ordinance to decrease the county property tax reduction income tax rate in effect.

(b) To decrease the county property tax reduction income tax rate, the county fiscal body must adopt an ordinance after January 1 but before April 1 of a year. The ordinance must substantially state the following:

"The \_\_\_\_\_ County Fiscal Body decreases the county property tax reduction income tax rate from \_\_\_\_\_ percent (\_\_\_ %) to \_\_\_\_\_ percent (\_\_\_ %). This ordinance takes effect July 1 of this year."

(c) An ordinance adopted under this subsection takes effect July 1 of the year in which the ordinance is adopted.

(d) The county auditor shall record the votes taken on an ordinance under this subsection and shall send a certified copy of the ordinance to the department by certified mail not more than thirty (30) days after the ordinance is adopted.

Sec. 13. If for any taxable year a county taxpayer is subject to different tax rates for the county property tax reduction income tax imposed by a qualifying county, the taxpayer's county property tax reduction income tax rate for that county and that taxable year is the rate determined in the last STEP of the following STEPS:

**STEP ONE:** Multiply the number of months in the taxpayer's taxable year that precede July 1 by the rate in effect before the rate change.

**STEP TWO:** Multiply the number of months in the taxpayer's taxable year that follow June 30 by the rate in effect after the rate change.

**STEP THREE:** Divide the sum of the amounts determined under STEPS ONE and TWO by twelve (12).

Sec. 14. If the county property tax reduction income tax is not in effect during a county taxpayer's entire taxable year, the amount

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of county property tax reduction income tax that the county taxpayer owes for that taxable year equals the product of:

- (1) the amount of county property tax reduction income tax the county taxpayer would owe if the tax had been imposed during the county taxpayer's entire taxable year; multiplied by
- (2) a fraction. The numerator of the fraction equals the number of days in the county taxpayer's taxable year during which the county property tax reduction income tax was in effect. The denominator of the fraction equals the total number of days in the county taxpayer's taxable year.

However, if the taxpayer files state income tax returns on a calendar year basis, the fraction to be applied under this section is one-half (1/2).

**Sec. 15. (a)** A special account within the state general fund shall be established for each county that adopts the county property tax reduction income tax. Any revenue derived from the imposition of the county property tax reduction income tax by a county shall be deposited in that county's account in the state general fund.

**(b)** Any income earned on money held in an account under subsection (a) becomes a part of that account.

**(c)** Any revenue remaining in an account established under subsection (a) at the end of a fiscal year does not revert to the state general fund.

**Sec. 16. (a)** Revenue derived from the imposition of the county property tax reduction income tax shall, in the manner prescribed by this section, be distributed to the county that imposed it. The amount that is to be distributed to a county during an ensuing calendar year equals the amount of county property tax reduction income tax revenue that the department, after reviewing the recommendation of the budget agency, estimates will be received from that county during the twelve (12) month period beginning July 1 of the immediately preceding calendar year and ending June 30 of the ensuing calendar year.

**(b)** Before June 16 of each calendar year, the department, after reviewing the recommendation of the budget agency, shall estimate and certify to the county auditor of each adopting county the amount of county property tax reduction income tax revenue that will be collected from that county during the twelve (12) month period beginning July 1 of that calendar year and ending June 30 of the immediately succeeding calendar year. The amount certified is the county's "certified distribution" for the immediately



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succeeding calendar year. The amount certified may be adjusted under subsection (c) or (d).

(c) The department may certify to an adopting county an amount that is greater than the estimated twelve (12) month revenue collection if the department, after reviewing the recommendation of the budget agency, determines that there will be a greater amount of revenue available for distribution from the county's account established under section 14 of this chapter.

(d) The department may certify an amount less than the estimated twelve (12) month revenue collection if the department, after reviewing the recommendation of the budget agency, determines that a part of those collections needs to be distributed during the current calendar year so that the county will receive its full certified distribution for the current calendar year.

(e) One-twelfth (1/12) of each adopting county's certified distribution for a calendar year shall be distributed from its account established under section 15 of this chapter to the appropriate county treasurer on the first day of each month of that calendar year.

(f) Upon receipt, each monthly payment of a county's certified distribution shall be deposited in the general fund of the county.

(g) All distributions from an account established under section 15 of this chapter shall be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

Sec. 17. (a) The state board of tax commissioners shall each year reduce the general fund property tax levy of a qualifying county receiving a distribution under this chapter in that year. The distribution may be used only to reduce the qualifying county's general fund property tax levy under this subsection. The qualifying county's general fund property tax levy shall be reduced by the amount of the distribution received or to be received by the county during the year. The state board of tax commissioners shall certify to the auditor of the qualifying county the property tax rate applicable to the municipality's general fund after the property tax reduction under this section.

(b) A qualifying county shall treat a distribution that the county receives or is to receive during a particular calendar year as a part of the county's property tax levy for the general fund for that same calendar year for purposes of fixing the county's budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5. However, the distributions shall not reduce the total county tax

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levy that is used to compute the state property tax replacement credit under IC 6-1.1-21. In addition, for the purposes of computing and distributing any excise taxes or income taxes in which the distribution is based on property taxes, the distributions shall be treated as though they were property taxes that were due and payable during that same calendar year.

(c) A qualifying county may use distributions received under this chapter for any purpose for which the county may use property tax revenues.

**Sec. 18. (a)** For purposes of this chapter, an individual shall be treated as a resident of the county in which the individual:

- (1) maintains a home, if the individual maintains only one (1) in Indiana;
- (2) if subdivision (1) does not apply, is registered to vote;
- (3) if subdivision (1) or (2) does not apply, registers the individual's personal automobile; or
- (4) if subdivision (1), (2), or (3) does not apply, spends the majority of the individual's time spent in Indiana during the taxable year in question.

(b) The residence or principal place of business or employment of an individual is to be determined on January 1 of the calendar year in which the individual's taxable year commences. If an individual changes the location of the individual's residence or principal place of employment or business to another county in Indiana during a calendar year, the individual's liability for county property tax reduction income tax is not affected.

**Sec. 19. (a)** Using procedures provided under this chapter, the county fiscal body of any adopting county may pass an ordinance to enter into reciprocity agreements with the taxing authority of any city, town, municipality, county, or other similar local governmental entity of any other state. The reciprocity agreements must provide that the income of resident county taxpayers is exempt from income taxation by the other local governmental entity to the extent income of the residents of the other local governmental entity is exempt from the county property tax reduction income tax in the adopting county.

(b) A reciprocity agreement adopted under this section may not become effective until it is also made effective in the other local governmental entity that is a party to the agreement.

(c) The form and effective date of any reciprocity agreement described in this section must be approved by the department.

**Sec. 20. (a)** Except as otherwise provided in subsection (b) and

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the other provisions of this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

- (1) definitions;
- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) deductions or exemptions from adjusted gross income;
- (5) remittances;
- (6) incorporation of the provisions of the Internal Revenue Code;
- (7) penalties and interest; and
- (8) exclusion of military pay credits for withholding;

apply to the imposition, collection, and administration of the tax imposed by this chapter.

(b) The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the tax imposed by this chapter.

(c) Notwithstanding subsections (a) and (b), each employer shall report to the department the amount of withholdings attributable to each county. This report shall be submitted along with the employer's other withholding report.

Sec. 21. (a) Except as provided in subsection (b), if for a particular taxable year a county taxpayer is liable for an income tax imposed by a county, city, town, or other local governmental entity located outside of Indiana, that county taxpayer is entitled to a credit against the county property tax reduction income tax liability for that same taxable year. The amount of the credit equals the amount of tax imposed by the other governmental entity on income derived from sources outside Indiana and subject to the county property tax reduction income tax. However, the credit provided by this section may not reduce a county taxpayer's county property tax reduction income tax liability to an amount less than would have been owed if the income subject to taxation by the other governmental entity had been ignored.

(b) The credit provided by this section does not apply to a county taxpayer to the extent that the other governmental entity provides for a credit to the taxpayer for the amount of county property tax reduction income taxes owed under this chapter.

(c) To claim the credit provided by this section, a county taxpayer must provide the department with satisfactory evidence that the taxpayer is entitled to the credit.

Sec. 22. (a) If for a particular taxable year a county taxpayer is, or a county taxpayer and the taxpayer's spouse who file a joint return are, allowed a credit for the elderly or the totally disabled

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under Section 22 of the Internal Revenue Code, the county taxpayer is, or the county taxpayer and the taxpayer's spouse are, entitled to a credit against the county property tax reduction income tax liability for that same taxable year. The amount of the credit equals the lesser of:

(1) the product of:

(A) the credit for the elderly or the totally disabled for that same taxable year; multiplied by

(B) a fraction, the numerator of which is the county property tax reduction income tax rate imposed against the county taxpayer, or the county taxpayer and the taxpayer's spouse, and the denominator of which is fifteen-hundredths (0.15); or

(2) the amount of county property tax reduction income tax imposed on the county taxpayer, or the county taxpayer and the taxpayer's spouse.

(b) If a county taxpayer and the taxpayer's spouse file a joint return and are subject to different county property tax reduction income tax rates for the same taxable year, they shall compute the credit under this section by using the formula provided by subsection (a), except that they shall use the average of the two (2) county property tax reduction income tax rates imposed against them as the numerator referred to in subsection (a)(1)(B).

SECTION 23. IC 6-8.1-1-1, AS AMENDED BY P.L.181-1999, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8); the county adjusted gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); **the municipal option income tax (IC 6-3.5-8); the county property tax reduction income tax (IC 6-3.5-9)**; the auto rental excise tax (IC 6-6-9); the bank tax (IC 6-5-10); the savings and loan association tax (IC 6-5-11); the production credit association tax (IC 6-5-12); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste

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disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

**SECTION 24. [EFFECTIVE UPON PASSAGE] (a) The following, all as added or amended by this act, apply to property taxes first due and payable after December 31, 2001:**

IC 6-1.1-6.9  
 IC 6-1.1-12-1  
 IC 6-1.1-12-9  
 IC 6-1.1-12-11  
 IC 6-1.1-12-13  
 IC 6-1.1-12-14  
 IC 6-1.1-12-16  
 IC 6-1.1-12-17.4  
 IC 6-1.1-12-18  
 IC 6-1.1-12-22  
 IC 6-1.1-12-26  
 IC 6-1.1-12-29  
 IC 6-1.1-12-33  
 IC 6-1.1-12-34  
 IC 6-1.1-12-37

**(b) This SECTION expires January 1, 2003.**

**SECTION 25. [EFFECTIVE JULY 1, 2001] (a) Except as provided in subsection (b), IC 6-1.1-6.8, as added by this act, applies to property taxes first due and payable after December 31, 2002.**

**(b) Notwithstanding subsection (a), if for any reason the general reassessment of real property scheduled to be completed for 2002 property taxes payable in 2003 is delayed so that it is not completed to be effective for 2002 property taxes payable in 2003, IC 6-1.1-6.8, as added by this act, applies to property taxes first due and payable in the same year that property taxes on the**

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**delayed general reassessment of real property are first due and payable.**

**SECTION 26. [EFFECTIVE JANUARY 1, 2002] IC 6-3.1-20, as added by this act, applies only to taxable years beginning after December 31, 2001.**

**SECTION 27. An emergency is declared for this act."**

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1902 as reprinted March 7, 2001.)

BORST, Chairperson

Committee Vote: Yeas 10, Nays 0.

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## SENATE MOTION

Mr. President: I move that Engrossed House Bill 1902 be amended to read as follows:

Page 1, line 5, after "(c)" delete "," and insert "**and IC 6-3.1-20-7,**".

Page 4, line 24, after "section." insert "**The only duty of:**

**(1) a township assessor in a qualifying county; or**

**(2) a county assessor of a qualifying county;**

**with respect to that general reassessment is to provide to the state board of tax commissioners or the state board's contractor under subsection (c) any support and information requested by the state board or the contractor."**

Page 4, line 30, after "date." insert "**The contract applies for the appraisal of land and improvements with respect to all classes of real property in the qualifying county."**

Page 6, line 14, delete "contract with the firm referred to in".

Page 6, line 15, delete "subsection (c) to".

Page 6, line 18, after "The" insert "**state board may contract to have the review performed by an appraisal firm. The state board or its"**

Page 6, line 32, delete "to be" and insert "**by an appraisal firm"**

Page 6, line 33, delete "conducted by the firm referred to in subsection (c)".

Page 7, between lines 26 and 27, begin a new paragraph and insert:

**"(p) A township assessor in a qualifying county or a county assessor of a qualifying county shall provide information requested in writing by the state board of tax commissioners or the state board's contractor under this section not later than seven (7) days after receipt of the written request from the state board or the contractor. If a township assessor or county assessor fails to provide the requested information within the time permitted in this subsection, the state board of tax commissioners or the state board's contractor may seek an order of the tax court under IC 33-3-5-2.5 for production of the information."**

Page 7, line 27, delete "(p)" and insert "**(q)"**".

Page 7, delete lines 29 through 42, begin a new paragraph and insert:

**"SECTION 3. IC 6-1.1-8.5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]:**

**Chapter 8.5. Assessment of Industrial Facilities**

**Sec. 1. As used in this chapter, "industrial company" means an owner or user of industrial property.**

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**Sec. 2.** As used in this chapter, "industrial facility" means a company's real property that:

- (1) has been classified as industrial property under the rules of the state board; and
- (2) has a true tax value, as estimated by the state board, of at least twenty-five million dollars (\$25,000,000) in a qualifying county.

The term includes real property that is used under an agreement under which the user exercises the beneficial rights of ownership for the majority of a year. The term does not include real property assessed under IC 6-1.1-8.

**Sec. 3.** As used in this chapter, "qualifying county" means a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

**Sec. 4.** As used in this chapter, "state board" refers to the state board of tax commissioners.

**Sec. 5.** An industrial facility located in a qualifying county shall be assessed in the manner prescribed in this chapter.

**Sec. 6.** Before:

- (1) January 1, 2004; and
- (2) January 1 of each year that a general reassessment commences under IC 6-1.1-4-4;

the county assessor of each qualifying county shall provide the state board a list of each industrial facility located in the qualifying county.

**Sec. 7. (a)** The township assessor of each township in a qualifying county shall notify the state board of a newly constructed industrial facility that is located in the township served by the township assessor.

**(b)** Each building commissioner in a qualifying county shall notify the state board of a newly constructed industrial facility that is located in the jurisdiction served by the building commissioner.

**(c)** The state board shall schedule an assessment under this chapter of a newly constructed industrial facility within six (6) months after receiving notice of the construction from the appropriate township assessor or building commissioner.

**Sec. 8.** For purposes of the general reassessment under IC 6-1.1-4-4 or a new assessment, the state board shall assess each industrial facility in a qualifying county.

**Sec. 9.** The county assessor of the qualifying county in which an industrial facility is located shall provide support to the state board's assessor during the course of the assessment of the

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industrial facility.

**Sec. 10. (a)** When the state board determines its final assessments of an industrial facility under this chapter, the state board shall certify the true tax values to the county assessor and the county auditor of the qualifying county in which the property is located. In addition, if an industrial company has appealed the state board's final assessment of the industrial facility, the state board shall notify the county auditor of the appeal.

**(b)** The county assessor of a qualifying county shall review the certification of the state board to determine if any of an industrial company's property has been omitted and notify the state board of additions the county assessor finds are necessary. The state board shall consider the county assessor's findings and make any additions to the certification the state board finds are necessary. The county auditor shall enter for taxation the assessed valuation of an industrial facility that is certified by the state board.

**Sec. 11. (a)** A taxpayer or the county assessor of the qualifying county in which the industrial facility is located may appeal an assessment by the state board made under this chapter to the appeals division of the state board. An appeal under this section shall be conducted in the same manner as an appeal under IC 6-1.1-15-4 through IC 6-1.1-15-8. An assessment made under this chapter that is not appealed under this section is a final unappealable order of the state board.

**(b)** The state board shall hold a hearing on the appeal and issue an order within one (1) year after the date the appeal is filed.

**Sec. 12.** The state board shall adopt rules to provide just valuations of industrial facilities under this chapter.

**Sec. 13.** This chapter is designed to provide special rules for the assessment and taxation of industrial facilities in a qualifying county. If a provision of this chapter conflicts with a provision of another chapter of this article, the provision of this chapter controls with respect to the assessment and taxation of an industrial facility.

SECTION 4. IC 6-1.1-18.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) Except as otherwise provided in this chapter **and IC 6-3.5-8-12**, a civil taxing unit that is treated as not being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad

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valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, that was used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of subsection (b) for that preceding calendar year. STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in the last STEP of section 2 of this chapter.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient (rounded to the nearest ten-thousandth), of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year, divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

(b) Except as otherwise provided in this chapter **and IC 6-3.5-8-12**, a civil taxing unit that is treated as being located in an adopting county under section 4 of this chapter may not impose an ad valorem property tax levy for an ensuing calendar year that exceeds the amount determined in the last STEP of the following STEPS:

STEP ONE: Add the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year to the part of the civil taxing unit's certified share, if any, used to reduce the civil taxing unit's ad valorem property tax levy under STEP EIGHT of this subsection for that preceding calendar year.

STEP TWO: Multiply the amount determined in STEP ONE by the amount determined in the last STEP of section 2 of this chapter.

STEP THREE: Determine the lesser of one and fifteen hundredths (1.15) or the quotient of the assessed value of all taxable property subject to the civil taxing unit's ad valorem property tax levy for the ensuing calendar year divided by the assessed value of all taxable property that is subject to the civil taxing unit's ad

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valorem property tax levy for the ensuing calendar year and that is contained within the geographic area that was subject to the civil taxing unit's ad valorem property tax levy in the preceding calendar year.

STEP FOUR: Determine the greater of the amount determined in STEP THREE or one (1).

STEP FIVE: Multiply the amount determined in STEP TWO by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO to the amount determined under subsection (c).

STEP SEVEN: Determine the greater of the amount determined under STEP FIVE or the amount determined under STEP SIX.

STEP EIGHT: Subtract the amount determined under STEP FIVE of subsection (e) from the amount determined under STEP SEVEN of this subsection.

(c) If a civil taxing unit in the immediately preceding calendar year provided an area outside its boundaries with services on a contractual basis and in the ensuing calendar year that area has been annexed by the civil taxing unit, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals the amount paid by the annexed area during the immediately preceding calendar year for services that the civil taxing unit must provide to that area during the ensuing calendar year as a result of the annexation. In all other cases, the amount to be entered under STEP SIX of subsection (a) or STEP SIX of subsection (b), as the case may be, equals zero (0).

(d) This subsection applies only to civil taxing units located in a county having a county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) of one percent (1%) as of January 1 of the ensuing calendar year. For each civil taxing unit, the amount to be added to the amount determined in subsection (e), STEP FOUR, is determined using the following formula:

STEP ONE: Multiply the civil taxing unit's maximum permissible ad valorem property tax levy for the preceding calendar year by two percent (2%).

STEP TWO: For the determination year, the amount to be used as the STEP TWO amount is the amount determined in subsection (f) for the civil taxing unit. For each year following the determination year the STEP TWO amount is the lesser of:

- (A) the amount determined in STEP ONE; or
- (B) the amount determined in subsection (f) for the civil taxing unit.

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STEP THREE: Determine the greater of:

- (A) zero (0); or
- (B) the civil taxing unit's certified share for the ensuing calendar year minus the greater of:
  - (i) the civil taxing unit's certified share for the calendar year that immediately precedes the ensuing calendar year; or
  - (ii) the civil taxing unit's base year certified share.

STEP FOUR: Determine the greater of:

- (A) zero (0); or
- (B) the amount determined in STEP TWO minus the amount determined in STEP THREE.

Add the amount determined in STEP FOUR to the amount determined in subsection (e), STEP THREE, as provided in subsection (e), STEP FOUR.

(e) For each civil taxing unit, the amount to be subtracted under subsection (b), STEP EIGHT, is determined using the following formula:

STEP ONE: Determine the lesser of the civil taxing unit's base year certified share for the ensuing calendar year, as determined under section 5 of this chapter, or the civil taxing unit's certified share for the ensuing calendar year.

STEP TWO: Determine the greater of:

- (A) zero (0); or
- (B) the remainder of:
  - (i) the amount of federal revenue sharing money that was received by the civil taxing unit in 1985; minus
  - (ii) the amount of federal revenue sharing money that will be received by the civil taxing unit in the year preceding the ensuing calendar year.

STEP THREE: Determine the lesser of:

- (A) the amount determined in STEP TWO; or
- (B) the amount determined in subsection (f) for the civil taxing unit.

STEP FOUR: Add the amount determined in subsection (d), STEP FOUR, to the amount determined in STEP THREE.

STEP FIVE: Subtract the amount determined in STEP FOUR from the amount determined in STEP ONE.

(f) As used in this section, a taxing unit's "determination year" means the latest of:

- (1) calendar year 1987, if the taxing unit is treated as being located in an adopting county for calendar year 1987 under section 4 of this chapter;

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- (2) the taxing unit's base year, as defined in section 5 of this chapter, if the taxing unit is treated as not being located in an adopting county for calendar year 1987 under section 4 of this chapter; or
- (3) the ensuing calendar year following the first year that the taxing unit is located in a county that has a county adjusted gross income tax rate of more than one-half percent (0.5%) on July 1 of that year.

The amount to be used in subsections (d) and (e) for a taxing unit depends upon the taxing unit's certified share for the ensuing calendar year, the taxing unit's determination year, and the county adjusted gross income tax rate for resident county taxpayers (as defined in IC 6-3.5-1.1-1) that is in effect in the taxing unit's county on July 1 of the year preceding the ensuing calendar year. For the determination year and the ensuing calendar years following the taxing unit's determination year, the amount is the taxing unit's certified share for the ensuing calendar year multiplied by the appropriate factor prescribed in the following table:

COUNTIES WITH A TAX RATE OF 1/2%

Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year . . . . .	0

COUNTIES WITH A TAX RATE OF 3/4%

Year	Subsection (e) Factor
For the determination year and each ensuing calendar year following the determination year . . . . .	1/2

COUNTIES WITH A TAX RATE OF 1.0%

Year	Subsection (d) Factor	Subsection (e) Factor
For the determination year . . . . .	1/6	1/3
For the ensuing calendar year following the determination year . . . . .	1/4	1/3
For the ensuing calendar year following the determination year by two (2) years . . . . .	1/3	1/3"

Delete pages 8 through 23.  
Page 24, delete lines 1 through 14.

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Replace the effective date in SECTION 20 with "[EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]".

Page 24, line 33, delete "An" and insert "**(a) Except as provided in subsection (b), an**".

Page 25, between lines 5 and 6, begin a new paragraph and insert:

**"(b) An individual is not entitled to a credit under this chapter for a taxable year for property taxes paid on the individual's homestead if the individual claims the deduction under IC 6-3-1-3.5(a)(17) for the homestead for that same taxable year."**

Page 25, delete lines 40 through 42, begin a new paragraph and insert:

**"(b) One-half (1/2) of the amount determined by the department under subsection (a) shall be:**

**(1) deducted during the year from the riverboat admissions tax revenue otherwise payable to the county under IC 4-33-12-6(b)(2); and**

**(2) paid instead to the state general fund.**

**(c) One-sixth (1/6) of the amount determined by the department under subsection (a) shall be:**

**(1) deducted during the year from the riverboat admissions tax revenue otherwise payable under IC 4-33-12-6(b)(1) to each of the following:**

**(A) The largest city by population located in the county.**

**(B) The second largest city by population located in the county.**

**(C) The third largest city by population located in the county; and**

**(2) paid instead to the state general fund."**

Page 26, delete lines 1 through 29.

Page 28, line 1, after "option income tax," insert "**or**".

Page 28, line 2, delete ", or the property tax reduction income tax".

Page 28, delete lines 5 through 24.

Page 28, line 25, delete "(f)" and insert "**(d)**".

Page 31, between lines 9 and 10, begin a new paragraph and insert:

**"(g) This subsection applies if the fiscal body of a municipality in a qualifying county adopts an ordinance under section 11 of this chapter to impose a municipal option income tax. The maximum permissible ad valorem property tax levy of the municipality is not subject to any increase under IC 6-1.1-18.5-3(a) or IC 6-1.1-18.5-3(b) for taxes payable in:**

**(1) the calendar year that immediately succeeds the calendar year in which the ordinance is adopted; and**

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(2) each succeeding calendar year in which the municipal option income tax remains in effect.

(h) This subsection applies if the fiscal body of a municipality in a qualifying county adopts an ordinance under section 14 of this chapter to rescind the municipal option income tax, or if the municipal option income tax in a municipality is rescinded by operation of law. For purposes of IC 6-1.1-18.5-3(a) STEP ONE or IC 6-1.1-18.5-3(b) STEP ONE, the preceding calendar year is considered to be the calendar year in which an ordinance was adopted under section 11 of this chapter to impose the municipal option income tax."

Page 36, delete lines 24 through 42.

Delete pages 37 through 44.

Page 45, delete lines 1 through 9.

Page 45, line 20, delete "the county property tax reduction income".

Page 45, line 21, delete "tax (IC 6-3.5-9)".

Page 45, delete line 42, begin a new paragraph and insert:

"SECTION 9. IC 33-3-5-2.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2.5. (a) As used in this section, "qualifying county" means a county having a population of more than four hundred thousand (400,000) and less than seven hundred thousand (700,000).

(b) As used in this section, "contractor" means the general reassessment contractor of the state board of tax commissioners under IC 6-1.1-4-32.

(c) Upon petition from:

(1) the state board of tax commissioners; or

(2) the contractor;

the tax court may order a township assessor in a qualifying county or a county assessor of a qualifying county to produce information requested in writing from the township assessor or county assessor by the state board of tax commissioners or the contractor.

(d) If the tax court orders a township assessor or county assessor to provide requested information as described in subsection (b), the tax court shall order production of the information not later than fourteen (14) days after the date of the tax court's order.

(e) The tax court may find that any willful violation of this section by a township assessor or county assessor constitutes a direct contempt of the tax court."

Page 46, delete lines 1 through 30, begin a new paragraph and

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insert:

"SECTION 10. [EFFECTIVE JULY 1, 2001] (a) **IC 6-1.1-8.5, as added by this act, applies to property taxes first due and payable after December 31, 2004.**

**(b) This SECTION expires January 1, 2006."**

Replace the effective date in SECTION 26 with "[EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]".

Page 46, line 33, delete "2001" and insert "**2000**".

Re-number all SECTIONS consecutively.

(Reference is to EHB 1902 as printed April 6, 2001.)

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