

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7217

BILL NUMBER: HB 1206

DATE PREPARED: May 3, 2001

BILL AMENDED: Apr 29, 2001

SUBJECT: PILOTS Dedicated to Low Income Housing Trust Fund.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill establishes a property tax exemption for real property that was constructed, rehabilitated, or acquired after December 31, 2001, to provide housing to income eligible persons under the Federal Low Income Housing Tax Credit Program. It permits the governing body of a political subdivision to enter into agreements concerning payments in lieu of taxes for the same real property, and provides that the payments are to be deposited in the political subdivision's Affordable Housing Fund.

The bill expands the existing Marion County PILOTS program to include Dearborn County.

This bill also changes the name of the "Bureau of Community Services" within the Division of Family and Children to the "Bureau of Family Resources" and changes the definition of "community action agency" to include: (1) a private nonprofit organization that is geographically located within a community; (2) a private nonprofit organization that is located in a county or counties contiguous to or within reasonable proximity of a community; and (3) a political subdivision, if there is otherwise no qualified nonprofit organization that meets the criteria to be a community action agency.

Effective Date: July 1, 2001; January 1, 2002.

Explanation of State Expenditures: (Revised) The renaming of the Bureau of Community Services to the Bureau of Family Resources would require administrative revisions of rules and printed materials. The Division reports that these costs can be absorbed within the current level of funding.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) This bill creates the local Affordable Housing Fund. The fund would:

1. Provide financial assistance to lower income families to purchase or lease housing;
2. Provide loans and grants to lower income families to develop, rehabilitate, or finance affordable housing; and
3. Provide technical assistance to affordable housing developers.

Explanation of Local Revenues: (Revised) This proposal would add Dearborn County to the Marion County PILOT law. It would exempt from taxation real property located in Dearborn County and owned by an Indiana corporation if the improvements were constructed, rehabilitated, or acquired to provide low income housing; the property is subject to an extended use agreement; and the owner agrees to make payments in lieu of taxes (PILOTS). With the approval of the property owner, the county fiscal body may, under this proposal, adopt an ordinance requiring that the property owner pay PILOTS. The payments would be equal to the taxes that would have been levied on the property if it were not exempt. These payments would be distributed to local taxing units as if they were property tax.

Total local revenues would increase under this provision. When assessed value is added to the tax base, the property tax levy remains the same, but tax rates are reduced. In this case, the removal (or non-addition) of valuation to the property tax rolls would have the effect of increasing (or not reducing) the tax rates. The PILOTS generated by this property would be considered miscellaneous revenue and would be collected outside of any levy limitations. The actual fiscal impact depends on the number and location of projects approved under this proposal.

In counties other than Dearborn and Marion, this proposal would exempt real property from taxation if the improvements were constructed, rehabilitated, or acquired to provide low income housing; the property is subject to an extended use agreement; and the owner agrees to make payments in lieu of taxes (PILOTS). With the approval of the property owner, the governing body of a municipality or a special taxing district may, under this proposal, adopt an ordinance requiring that the property owner pay PILOTS. The payments would be equal to the taxes that would have been levied on the property by the municipality or a special taxing district if it were not exempt. These payments would be deposited into the local Affordable Housing Fund.

Total local property tax revenues, except for cumulative funds, would remain unchanged under this provision. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund. When assessed value is added to the tax base, tax rates are reduced. The removal (or nonaddition) of valuation to the tax rolls would have the effect of increasing (or not reducing) the tax rates.

The actual fiscal impact depends on the number and location of projects approved under this proposal.

State Agencies Affected: Family and Social Services Administration, Division of Family and Children.

Local Agencies Affected: Municipalities.

Information Sources: