

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6021
BILL NUMBER: SB 2

NOTE PREPARED: Oct 19, 2003
BILL AMENDED:

SUBJECT: Property tax deductions and credits.

FIRST AUTHOR: Sen. Miller
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

LOCAL IMPACT	CY 2004	CY 2005	CY 2006
Local Revenues		(91,000,000)	
Local Expenditures			
Net Increase (Decrease)		(91,000,000)	

Summary of Legislation: This bill permits an individual who was eligible for but did not receive a property tax deduction or homestead credit for taxes payable in 2003 to receive the benefit for taxes payable in 2005.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Summary of Net Local Impact: This bill would provide the benefit of forgone 2003 deductions and homestead credits in the form of a credit against CY 2005 property tax payments. The proposal would result in an overall loss of local revenue estimated at about \$91 M in CY 2005. This loss is composed of \$12.4 M of state homestead credit benefit, \$1.5 M - \$3.0 M of local homestead benefit, and \$76.3 M in deductions benefit.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, an application for a property tax deduction or homestead credit must be filed by May 10th to be effective for taxes paid in the following year. Under this proposal, a taxpayer would be entitled to the benefit from a deduction or homestead credit for taxes paid in 2003 if the application is filed by May 10, 2004 and the taxpayer meets all other eligibility requirements.

The county auditor would, after determining eligibility, determine the amount of tax benefit that the taxpayer would have received in 2003 if the benefit had been in force. The taxpayer would receive this amount as a credit against property taxes paid in 2005. In the event that the credit exceeds the 2005 tax liability, the taxpayer would be entitled to a refund. The credit and/or refund would reduce local property tax revenues in CY 2005.

State Homestead Credit: Based on available 2003 county abstract data and 2003 property tax parcel record data compared with Census estimates for owner-occupied housing, it was estimated that as many as 6.7% or 113,000 homeowners may not have filed for the homestead credit. The value of the foregone homestead credit for CY 2003, assuming that all 113,000 homeowners file for the credit, is estimated at \$12.4 M.

(Note: These estimates were based on data from a small number of counties and is subject to change as more data is received.)

Local Homestead Credit: There are 10 counties that currently provide a locally funded homestead credit. These counties include Allen, Madison, Marion, Miami, Monroe, Perry, St. Joseph, Spencer, Tippecanoe, and Vanderburgh.

If additional taxpayers in these 10 counties receive the benefit of state homestead credit for 2003 as a result of this bill, they will also receive the benefit of the local homestead credit. The value of the foregone local homestead credit for all 10 counties is estimated at about \$1.5 M - \$3.0 M.

Deductions: The deductions for which taxpayers would receive the benefit under this proposal include the mortgage, aged, blind/disabled, and veterans deductions. The \$35,000 standard deduction is automatic when the homeowner receives the homestead credit.

This analysis assumes that the percentage of taxpayers who qualify for the benefit of these deductions is the same (6.7%) as those who could benefit under the homestead credit benefit portion of the bill. A 6.7% increase in the deductions along with an additional 113,000 standard deductions at \$35,000 each would result in an assessed value benefit estimated at \$4.2 B. The \$4.2 B AV is worth approximately \$76.3 M in CY 2003 tax.

State Agencies Affected:

Local Agencies Affected: All local taxing units.

Information Sources: 2002 and 2003 County Auditors' Abstracts; County property tax parcel record data, Census Bureau; Local Government Database.

Fiscal Analyst: Bob Sigalow, 317-232-9859.