
HOUSE BILL No. 1723

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-18.5.

Synopsis: Local government finance. Prohibits a civil taxing unit from imposing a property tax levy for general government expenditures after 2006. Excludes public safety expenditures, judicial system expenditures, welfare expenditures, and expenditures to repay bonds and leases from the prohibition. Freezes property tax levies for public safety expenditures and judicial system expenditures at 2006 levels. Establishes the study committee on property tax reductions.

Effective: July 1, 2005; January 1, 2006.

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January 19, 2005, read first time and referred to Committee on Ways and Means.

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First Regular Session 114th General Assembly (2005)

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 2004 Regular Session of the General Assembly.

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HOUSE BILL No. 1723



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

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

1 SECTION 1. IC 6-1.1-18.5-0.5 IS ADDED TO THE INDIANA
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
3 [EFFECTIVE JANUARY 1, 2006]: **Sec. 0.5. The levy limit imposed**
4 **by section 3 of this chapter applies only to a civil taxing unit's**
5 **property tax levy for:**

- 6 (1) **public safety expenditures; and**
- 7 (2) **judicial system expenditures.**

8 SECTION 2. IC 6-1.1-18.5-1 IS AMENDED TO READ AS
9 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 1. As used in this
10 chapter:

11 "Ad valorem property tax levy for an ensuing calendar year" means
12 the total property taxes imposed by a civil taxing unit for current
13 property taxes collectible in that ensuing calendar year.

14 "Adopting county" means any county in which the county adjusted
15 gross income tax is in effect.

16 "Civil taxing unit" means any taxing unit except a school
17 corporation.



1 **"General government expenditure" means any expenditure of**
2 **a civil taxing unit that is not:**

- 3 (1) a public safety expenditure;
- 4 (2) a judicial system expenditure;
- 5 (3) an expenditure to repay bonds or lease rentals;
- 6 (4) payable from a levy subject to IC 6-1.1-18.5; or
- 7 (5) payable from a revenue source other than property taxes.

8 **"Judicial system expenditure" means an expenditure related to**
9 **the following:**

- 10 (1) A court.
- 11 (2) A probation department of a court.
- 12 (3) Confinement, supervision, community corrections services,
- 13 or other correctional services for a person who has been:
 - 14 (A) diverted before a final hearing or trial under an
 - 15 agreement that:
 - 16 (i) is between the prosecuting attorney and the person or
 - 17 the person's custodian, guardian, or parent; and
 - 18 (ii) provides for confinement, supervision, community
 - 19 correction services, or other correctional services instead
 - 20 of a final action described in clause (B) or (C);
 - 21 (B) convicted of a crime; or
 - 22 (C) adjudicated as a delinquent child or a child in need of
 - 23 services.

24 **"Maximum permissible ad valorem property tax levy for the**
25 **preceding calendar year" means the civil taxing unit's ad valorem**
26 **property tax levy for the calendar year immediately preceding the**
27 **ensuing calendar year, as that levy was determined by the department**
28 **of local government finance in fixing the civil taxing unit's budget,**
29 **levy, and rate for that preceding calendar year under IC 6-1.1-17, and**
30 **after eliminating the effects of temporary excessive levy appeals and**
31 **temporary adjustments made to the working maximum levy for the**
32 **calendar year immediately preceding the ensuing calendar year, as**
33 **determined by the department of local government finance.**

34 **"Public safety expenditure" means an expenditure to establish,**
35 **maintain, operate, provide facilities or equipment for, contract for,**
36 **finance, or repay a judgment or another obligation related to any**
37 **of the following:**

- 38 (1) A police and law enforcement system to preserve public
- 39 peace and order.
- 40 (2) A firefighting and fire prevention system.
- 41 (3) Emergency ambulance services (as defined in
- 42 IC 16-18-2-107), except as part of a levy for a county hospital

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- 1 **under IC 16-22 or a municipal hospital under IC 16-23.**
- 2 **(4) Emergency medical services (as defined in**
- 3 **IC 16-18-2-110), except as part of a levy for a county hospital**
- 4 **under IC 16-22 or a municipal hospital under IC 16-23.**
- 5 **(5) Emergency action (as defined in IC 13-11-2-65).**
- 6 **(6) Pension payments for any of the following:**
 - 7 **(A) A member of the fire department (as defined in**
 - 8 **IC 36-8-1-8) or any other employee of a fire department.**
 - 9 **(B) A member of the police department (as defined in**
 - 10 **IC 36-8-1-9), a police chief hired under a waiver under**
 - 11 **IC 36-8-4-6.5, or any other employee hired by a police**
 - 12 **department.**
 - 13 **(C) A county sheriff or any other member of the office of**
 - 14 **the county sheriff.**
 - 15 **(D) Other personnel employed to provide a service**
 - 16 **described in subdivisions (1) through (5).**
 - 17 **(7) Providing facilities, equipment, and personnel for the**
 - 18 **operation of the following:**
 - 19 **(A) A county jail.**
 - 20 **(B) A juvenile detention center.**

21 "Taxable property" means all tangible property that is subject to the
 22 tax imposed by this article and is not exempt from the tax under
 23 IC 6-1.1-10 or any other law. For purposes of sections 2 and 3 of this
 24 chapter, the term "taxable property" is further defined in section 6 of
 25 this chapter.

26 "Unadjusted assessed value" means the assessed value of a civil
 27 taxing unit as determined by local assessing officials and the
 28 department of local government finance in a particular calendar year
 29 before the application of an annual adjustment under IC 6-1.1-4-4.5 for
 30 that particular calendar year or any calendar year since the last general
 31 reassessment preceding the particular calendar year.

32 SECTION 3. IC 6-1.1-18.5-3 IS AMENDED TO READ AS
 33 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 3. ~~(a)~~ Except as
 34 otherwise provided in this chapter, and ~~IC 6-3.5-8-12~~, a civil taxing
 35 unit that is treated as not being located in an adopting county under
 36 section 4 of this chapter may not impose an ad valorem property tax
 37 levy for an ensuing calendar year that exceeds the **total** amount
 38 determined in the last STEP of the following STEPS:

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

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1 STEP EIGHT of subsection (b) for that preceding calendar year.
 2 STEP TWO: Multiply the amount determined in STEP ONE by
 3 the amount determined in the last STEP of section 2(b) of this
 4 chapter.
 5 STEP THREE: Determine the lesser of one and fifteen hundredths
 6 (1.15) or the quotient (rounded to the nearest ten-thousandth
 7 (0.0001)); of the assessed value of all taxable property subject to
 8 the civil taxing unit's ad valorem property tax levy for the ensuing
 9 calendar year, divided by the assessed value of all taxable
 10 property that is subject to the civil taxing unit's ad valorem
 11 property tax levy for the ensuing calendar year and that is
 12 contained within the geographic area that was subject to the civil
 13 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: **of**
 23 **the civil taxing unit's public safety expenditures and judicial**
 24 **system expenditures in 2006.**
 25 (b) Except as otherwise provided in this chapter and IC 6-3.5-8-12,
 26 a civil taxing unit that is treated as being located in an adopting county
 27 under section 4 of this chapter may not impose an ad valorem property
 28 tax levy for an ensuing calendar year that exceeds the amount
 29 determined in the last STEP of the following STEPS:
 30 STEP ONE: Add the civil taxing unit's maximum permissible ad
 31 valorem property tax levy for the preceding calendar year to the
 32 part of the civil taxing unit's certified share, if any, used to reduce
 33 the civil taxing unit's ad valorem property tax levy under STEP
 34 EIGHT of this subsection for that preceding calendar year.
 35 STEP TWO: Multiply the amount determined in STEP ONE by
 36 the amount determined in the last STEP of section 2(b) of this
 37 chapter.
 38 STEP THREE: Determine the lesser of one and fifteen hundredths
 39 (1.15) or the quotient of the assessed value of all taxable property
 40 subject to the civil taxing unit's ad valorem property tax levy for
 41 the ensuing calendar year divided by the assessed value of all
 42 taxable property that is subject to the civil taxing unit's ad

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

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

7 STEP FIVE: Multiply the amount determined in STEP TWO by
 8 the amount determined in STEP FOUR:

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

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

13 STEP EIGHT: Subtract the amount determined under STEP FIVE
 14 of subsection (c) from the amount determined under STEP
 15 SEVEN of this subsection:

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

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

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

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

40 (A) the amount determined in STEP ONE; or

41 (B) the amount determined in subsection (f) for the civil taxing
 42 unit.

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1 STEP THREE: Determine the greater of:
 2 (A) zero (0); or
 3 (B) the civil taxing unit's certified share for the ensuing
 4 calendar year minus the greater of:
 5 (i) the civil taxing unit's certified share for the calendar year
 6 that immediately precedes the ensuing calendar year; or
 7 (ii) the civil taxing unit's base year certified share.
 8 STEP FOUR: Determine the greater of:
 9 (A) zero (0); or
 10 (B) the amount determined in STEP TWO minus the amount
 11 determined in STEP THREE:
 12 Add the amount determined in STEP FOUR to the amount determined
 13 in subsection (c), STEP THREE; as provided in subsection (c), STEP
 14 FOUR:
 15 (c) For each civil taxing unit, the amount to be subtracted under
 16 subsection (b); STEP EIGHT; is determined using the following
 17 formula:
 18 STEP ONE: Determine the lesser of the civil taxing unit's base
 19 year certified share for the ensuing calendar year, as determined
 20 under section 5 of this chapter, or the civil taxing unit's certified
 21 share for the ensuing calendar year.
 22 STEP TWO: Determine the greater of:
 23 (A) zero (0); or
 24 (B) the remainder of:
 25 (i) the amount of federal revenue sharing money that was
 26 received by the civil taxing unit in 1985; minus
 27 (ii) the amount of federal revenue sharing money that will be
 28 received by the civil taxing unit in the year preceding the
 29 ensuing calendar year.
 30 STEP THREE: Determine the lesser of:
 31 (A) the amount determined in STEP TWO; or
 32 (B) the amount determined in subsection (f) for the civil taxing
 33 unit.
 34 STEP FOUR: Add the amount determined in subsection (d);
 35 STEP FOUR; to the amount determined in STEP THREE.
 36 STEP FIVE: Subtract the amount determined in STEP FOUR
 37 from the amount determined in STEP ONE.
 38 (f) As used in this section, a taxing unit's "determination year"
 39 means the latest of:
 40 (1) calendar year 1987, if the taxing unit is treated as being
 41 located in an adopting county for calendar year 1987 under
 42 section 4 of this chapter;

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

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

19 COUNTRIES WITH A TAX RATE OF 1/2%

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

24 COUNTRIES WITH A TAX RATE OF 3/4%

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

29 COUNTRIES WITH A TAX RATE OF 1.0%

	Subsection (d)	Subsection (e)
Year	Factor	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

38 SECTION 4. IC 6-1.1-18.5-7 IS AMENDED TO READ AS
 39 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 7. (a) A civil
 40 taxing unit is not subject to the levy limits imposed by section 3 of this
 41 chapter for an ensuing calendar year if the civil taxing unit did not
 42 adopt an ad valorem property tax levy **described in section 0.5 of this**

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1 **chapter** for the immediately preceding calendar year.

2 (b) If under subsection (a) a civil taxing unit is not subject to the
3 levy limits imposed under section 3 of this chapter for a calendar year,
4 the civil taxing unit shall refer its proposed budget, ad valorem
5 property tax levy, and property tax rate for that calendar year to the
6 local government tax control board established by section 11 of this
7 chapter before the tax levy is advertised. The local government tax
8 control board shall then review and make a recommendation to the
9 department of local government finance on the civil taxing unit's
10 budget, ad valorem property tax levy, and property tax rate for that
11 calendar year. The department of local government finance shall make
12 a final determination of the civil taxing unit's budget, ad valorem
13 property tax levy, and property tax rate for that calendar year. However,
14 a civil taxing unit may not impose a property tax levy for a year if the
15 unit did not exist as of March 1 of the preceding year.

16 SECTION 5. IC 6-1.1-18.5-21 IS ADDED TO THE INDIANA
17 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
18 [EFFECTIVE JANUARY 1, 2006]: **Sec. 21. Notwithstanding any**
19 **other law, a civil taxing unit may not impose a property tax levy to**
20 **pay general government expenditures after December 31, 2006.**

21 SECTION 6. THE FOLLOWING ARE REPEALED [EFFECTIVE
22 JANUARY 1, 2006]: IC 6-1.1-18.5-2; IC 6-1.1-18.5-4; IC 6-1.1-18.5-5;
23 IC 6-1.1-18.5-6; IC 6-1.1-18.5-9; IC 6-1.1-18.5-9.5; IC 6-1.1-18.5-10.3;
24 IC 6-1.1-18.5-12; IC 6-1.1-18.5-13; IC 6-1.1-18.5-13.6;
25 IC 6-1.1-18.5-20.

26 SECTION 7. [EFFECTIVE JANUARY 1, 2006] (a)
27 **IC 6-1.1-18.5-0.5 and IC 6-1.1-18.5-21, both as added by this act,**
28 **apply to property taxes first due and payable after December 31,**
29 **2006.**

30 (b) **IC 6-1.1-18.5-1, IC 6-1.1-18.5-3, and IC 6-1.1-18.5-7, all as**
31 **amended by this act, apply to property taxes first due and payable**
32 **after December 31, 2006.**

33 SECTION 8. [EFFECTIVE JULY 1, 2005] (a) **As used in this**
34 **SECTION, "committee" refers to the interim study committee on**
35 **property tax reductions established by this SECTION.**

36 (b) **There is established the interim study committee on property**
37 **tax reductions. The committee shall prepare legislation for**
38 **introduction in the 2006 session of the general assembly to:**

- 39 (1) **provide local governments with a funding source to**
40 **replace the property tax levies prohibited by this act;**
41 (2) **limit total local government spending; and**
42 (3) **bring all laws in conflict with this act into conformity with**

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- 1 **this act.**
- 2 **(c) The committee shall operate under the policies governing**
- 3 **study committees adopted by the legislative council.**
- 4 **(d) The affirmative votes of a majority of the voting members**
- 5 **appointed to the committee are required for the committee to take**
- 6 **action on any measure, including final reports.**
- 7 **(e) This SECTION expires November 1, 2005.**

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