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# HOUSE BILL No. 1211

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-1.1-21-2; IC 20-26-8; IC 21-2-15-11.

**Synopsis:** School property taxes. Increases the property tax rate the board of school trustees in a third class city may impose for the establishment and maintenance of certain facilities, and provides that the state property tax replacement credit does not apply to that rate. Requires reduction of the school capital projects fund rate in an amount corresponding to that rate increase.

**Effective:** Upon passage.

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**Klinker, Ayres, Thompson, Micon**

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January 10, 2006, read first time and referred to Committee on Ways and Means.

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Second Regular Session 114th General Assembly (2006)

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 2005 Regular Session of the General Assembly.

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# HOUSE BILL No. 1211



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 6-1.1-21-2, AS AMENDED BY P.L.1-2005,  
2 SECTION 92, AND AS AMENDED BY P.L.246-2005, SECTION 64,  
3 IS CORRECTED AND AMENDED TO READ AS FOLLOWS  
4 [EFFECTIVE UPON PASSAGE]: Sec. 2. As used in this chapter:

5 (a) "Taxpayer" means a person who is liable for taxes on property  
6 assessed under this article.

7 (b) "Taxes" means property taxes payable in respect to property  
8 assessed under this article. The term does not include special  
9 assessments, penalties, or interest, but does include any special charges  
10 which a county treasurer combines with all other taxes in the  
11 preparation and delivery of the tax statements required under  
12 IC 6-1.1-22-8(a).

13 (c) "Department" means the department of state revenue.

14 (d) "Auditor's abstract" means the annual report prepared by each  
15 county auditor which under IC 6-1.1-22-5 is to be filed on or before  
16 March † 15 of each year with the auditor of state.

17 (e) "Mobile home assessments" means the assessments of mobile



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homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from: ~~appeals described in:~~

(i) ~~appeals described in~~ IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after December 31, 1982; plus

(ii) ~~the sum of any increases in property tax levies of taxing units of the county that result from~~ any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) ~~IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county);~~ minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 (*repealed*) were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that

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succeeds the 1983 stated assessment year; minus  
(F) the remainder of:  
    (i) the total property taxes imposed in the county for the  
        stated assessment year under authority of IC 21-2-6  
(repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a  
cumulative building fund whose property tax rate was not  
initially established or reestablished for a stated assessment  
year that succeeds the 1983 stated assessment year; minus  
    (ii) the total property taxes imposed in the county for the  
1984 stated assessment year under the authority of IC 21-2-6  
(repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a  
cumulative building fund whose property tax rate was not  
initially established or reestablished for a stated assessment  
year that succeeds the 1983 stated assessment year; minus  
(G) the amount of property taxes imposed in the county for the  
stated assessment year under:  
    (i) IC 21-2-15 for a capital projects fund; plus  
    (ii) IC 6-1.1-19-10 for a racial balance fund; plus  
    (iii) ~~IC 20-14-13~~ IC 36-12-12 for a library capital projects  
fund; plus  
    (iv) ~~IC 20-5-17.5-3~~ IC 36-10-13-7 for an art association  
fund; plus  
    (v) IC 21-2-17 for a special education preschool fund; plus  
    (vi) IC 21-2-11.6 for a referendum tax levy fund; plus  
    (vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in  
a school corporation's maximum permissible general fund  
levy for certain transfer tuition costs; plus  
    (viii) an appeal filed under IC 6-1.1-19-5.4 for an increase  
in a school corporation's maximum permissible general fund  
levy for transportation operating costs; **plus**  
    **(ix) IC 20-26-8-4 for purposes of that section and**  
    **IC 20-26-8-1; minus**  
(H) the amount of property taxes imposed by a school  
corporation that is attributable to the passage, after 1983, of a  
referendum for an excessive tax levy under IC 6-1.1-19,  
including any increases in these property taxes that are  
attributable to the adjustment set forth in IC 6-1.1-19-1.5 or  
any other law; minus  
(I) for each township in the county, the lesser of:  
    (i) the sum of the amount determined in IC 6-1.1-18.5-19(a)  
STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE,  
whichever is applicable, plus the part, if any, of the

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- 1 township's ad valorem property tax levy for calendar year  
 2 1989 that represents increases in that levy that resulted from  
 3 an appeal described in IC 6-1.1-18.5-13(4) filed after  
 4 December 31, 1982; or  
 5 (ii) the amount of property taxes imposed in the township for  
 6 the stated assessment year under the authority of  
 7 IC 36-8-13-4; minus  
 8 (J) for each participating unit in a fire protection territory  
 9 established under IC 36-8-19-1, the amount of property taxes  
 10 levied by each participating unit under IC 36-8-19-8 and  
 11 IC 36-8-19-8.5 less the maximum levy limit for each of the  
 12 participating units that would have otherwise been available  
 13 for fire protection services under IC 6-1.1-18.5-3 and  
 14 IC 6-1.1-18.5-19 for that same year; minus  
 15 (K) for each county, the sum of:  
 16 (i) the amount of property taxes imposed in the county for  
 17 the repayment of loans under IC 12-19-5-6 (repealed) that is  
 18 included in the amount determined under IC 12-19-7-4(a)  
 19 STEP SEVEN for property taxes payable in 1995, or for  
 20 property taxes payable in each year after 1995, the amount  
 21 determined under IC 12-19-7-4(b); and  
 22 (ii) the amount of property taxes imposed in the county  
 23 attributable to appeals granted under IC 6-1.1-18.6-3 that is  
 24 included in the amount determined under IC 12-19-7-4(a)  
 25 STEP SEVEN for property taxes payable in 1995, or the  
 26 amount determined under IC 12-19-7-4(b) for property taxes  
 27 payable in each year after 1995; plus  
 28 (2) all taxes to be paid in the county in respect to mobile home  
 29 assessments currently assessed for the year in which the taxes  
 30 stated in the abstract are to be paid; plus  
 31 (3) the amounts, if any, of county adjusted gross income taxes that  
 32 were applied by the taxing units in the county as property tax  
 33 replacement credits to reduce the individual levies of the taxing  
 34 units for the assessment year, as provided in IC 6-3.5-1.1; plus  
 35 (4) the amounts, if any, by which the maximum permissible ad  
 36 valorem property tax levies of the taxing units of the county were  
 37 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated  
 38 assessment year; plus  
 39 (5) the difference between:  
 40 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;  
 41 minus  
 42 (B) the amount the civil taxing units' levies were increased

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1 because of the reduction in the civil taxing units' base year  
2 certified shares under IC 6-1.1-18.5-3(e).

3 (h) "December settlement sheet" means the certificate of settlement  
4 filed by the county auditor with the auditor of state, as required under  
5 IC 6-1.1-27-3.

6 (i) "Tax duplicate" means the roll of property taxes which each  
7 county auditor is required to prepare on or before March 1 of each year  
8 under IC 6-1.1-22-3.

9 (j) "Eligible property tax replacement amount" is, *except as*  
10 *otherwise provided by law*, equal to the sum of the following:

11 (1) Sixty percent (60%) of the total county tax levy imposed by  
12 each school corporation in a county for its general fund for a  
13 stated assessment year.

14 (2) Twenty percent (20%) of the total county tax levy (less sixty  
15 percent (60%) of the levy for the general fund of a school  
16 corporation that is part of the total county tax levy) imposed in a  
17 county on real property for a stated assessment year.

18 (3) Twenty percent (20%) of the total county tax levy (less sixty  
19 percent (60%) of the levy for the general fund of a school  
20 corporation that is part of the total county tax levy) imposed in a  
21 county on tangible personal property, excluding business personal  
22 property, for an assessment year.

23 (k) "Business personal property" means tangible personal property  
24 (other than real property) that is being:

25 (1) held for sale in the ordinary course of a trade or business; or  
26 (2) held, used, or consumed in connection with the production of  
27 income.

28 (l) "Taxpayer's property tax replacement credit amount" means,  
29 *except as otherwise provided by law*, the sum of the following:

30 (1) Sixty percent (60%) of a taxpayer's tax liability in a calendar  
31 year for taxes imposed by a school corporation for its general fund  
32 for a stated assessment year.

33 (2) Twenty percent (20%) of a taxpayer's tax liability for a stated  
34 assessment year for a total county tax levy (less sixty percent  
35 (60%) of the levy for the general fund of a school corporation that  
36 is part of the total county tax levy) on real property.

37 (3) Twenty percent (20%) of a taxpayer's tax liability for a stated  
38 assessment year for a total county tax levy (less sixty percent  
39 (60%) of the levy for the general fund of a school corporation that  
40 is part of the total county tax levy) on tangible personal property  
41 other than business personal property.

42 (m) "Tax liability" means tax liability as described in section 5 of

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this chapter.

(n) "General school operating levy" means the ad valorem property tax levy of a school corporation in a county for the school corporation's general fund.

(o) "Board" refers to the property tax replacement fund board established under section 10 of this chapter.

SECTION 2. IC 20-26-8-1, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. A board of school trustees in a second or third class city, a board of school trustees of a town, or the school trustees of a school township:

(1) may, on their own initiative, and shall, upon petition as provided in section 2 of this chapter, establish and maintain for children and adults in the school buildings and on the school grounds under the custody and management of the boards or school trustees of school townships:

- (A) evening schools;
- (B) vacation schools;
- (C) debating clubs;
- (D) community centers;
- (E) gymnasiums;
- (F) public playgrounds;
- (G) public baths; and
- (H) similar activities and accommodations as determined by the boards or school trustees of school townships;

without charge to the residents of the cities, towns, or townships **other than the tax levy authorized under section 4 of this chapter;** and

(2) may:

- (A) cooperate, by agreement, with other commissioners or boards or school trustees of school townships that have custody and management of public parks, libraries, museums, and other public buildings and grounds to provide the:
  - (i) equipment;
  - (ii) supervision;
  - (iii) instruction; and
  - (iv) oversight;

necessary to conduct public educational and recreational activities in and upon the other buildings and grounds; and (B) pay all expenses associated with the activities from the general fund.

SECTION 3. IC 20-26-8-4, AS ADDED BY P.L.1-2005, SECTION

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10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) The board of school trustees in a third class city may establish, maintain, and equip public playgrounds to be used by children during the summer vacation period. The board may use the public school buildings and grounds in the cities as is necessary to carry out this section. The board may levy a tax not exceeding ~~sixty-seven hundredths of one cent (\$0.0067)~~ **five cents (\$0.05)** on each one hundred dollars (\$100) of assessed valuation of the property in the city to create a fund to:

**(1) pay expenses incurred under section 1 of this chapter; and**

**(2) carry out this section.**

The board may lease or purchase grounds in addition to the school grounds, either adjacent to the school grounds or elsewhere in the city. The board may also, under eminent domain statutes, condemn ground to be used for these purposes and pay for condemned ground out of the school revenues of the city not otherwise appropriated.

(b) The board:

(1) has full control of all playgrounds, including the preservation of order on playgrounds; and

(2) may adopt suitable rules, regulations, and bylaws for the control of playgrounds. The board may enforce the rules by suitable penalties.

(c) The board may select and pay for directors and assistants. The directors and assistants, while on duty and to preserve order and the observance of the rules, regulations, and bylaws of the board, have all the powers of police officers of the city. The compensation for the directors and assistants shall be:

(1) fixed by the board; and

(2) paid for out of the school revenues not otherwise appropriated.

**(d) The combined tax rate under this section and IC 21-2-15-11 may not exceed the sum of:**

**(1) the tax rate imposed by the school corporation under IC 21-2-15-11; plus**

**(2) the tax rate imposed by the school corporation under this section;**

**for ad valorem property taxes first due and payable in 2006.**

SECTION 4. IC 21-2-15-11, AS AMENDED BY P.L.246-2005, SECTION 190, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. (a) Except as provided in subsection (e) **and subject to subsection (f)**, to provide for the capital projects fund, the governing body may, for each year in which a plan adopted under section 5 of this chapter is in effect, impose a property

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1 tax rate that does not exceed forty-one and sixty-seven hundredths  
2 cents (\$0.4167) on each one hundred dollars (\$100) of assessed  
3 valuation of the school corporation. This actual rate must be advertised  
4 in the same manner as other property tax rates.

5 (b) The maximum property tax rate levied by each school  
6 corporation must be adjusted each time a general reassessment of  
7 property takes effect. The adjusted property tax rate becomes the new  
8 maximum property tax rate for the levy for property taxes first due and  
9 payable in each year:

10 (1) after the general reassessment for which the adjustment was  
11 made takes effect; and

12 (2) before the next general reassessment takes effect.

13 (c) The new maximum rate under this section is the tax rate  
14 determined under STEP SEVEN of the following formula:

15 STEP ONE: Determine the maximum rate for the school  
16 corporation for the year preceding the year in which the general  
17 reassessment takes effect.

18 STEP TWO: Determine the actual percentage increase (rounded  
19 to the nearest one-hundredth percent (0.01%)) in the assessed  
20 value of the taxable property from the year preceding the year the  
21 general reassessment takes effect to the year that the general  
22 reassessment is effective.

23 STEP THREE: Determine the three (3) calendar years that  
24 immediately precede the ensuing calendar year and in which a  
25 statewide general reassessment of real property does not first  
26 become effective.

27 STEP FOUR: Compute separately, for each of the calendar years  
28 determined in STEP THREE, the actual percentage increase  
29 (rounded to the nearest one-hundredth percent (0.01%)) in the  
30 assessed value of the taxable property from the preceding year.

31 STEP FIVE: Divide the sum of the three (3) quotients computed  
32 in STEP FOUR by three (3).

33 STEP SIX: Determine the greater of the following:

34 (A) Zero (0).

35 (B) The result of the STEP TWO percentage minus the STEP  
36 FIVE percentage.

37 STEP SEVEN: Determine the quotient of the STEP ONE tax rate  
38 divided by the sum of one (1) plus the STEP SIX percentage  
39 increase.

40 (d) The department of local government finance shall compute the  
41 maximum rate allowed under subsection (c) and provide the rate to  
42 each school corporation.

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1 (e) For a year in which a school corporation uses money from the  
 2 school corporation's capital projects fund to pay for costs described in  
 3 section 4(l) of this chapter, the school corporation may impose a  
 4 property tax rate that exceeds the rate described in subsection (a). The  
 5 amount by which the property tax rate may exceed the rate described  
 6 in subsection (a) equals the amount determined under STEP THREE  
 7 of the following formula:

8 STEP ONE: Determine the school corporation's expenditures  
 9 under section 4(l) of this chapter for the calendar year.

10 STEP TWO: Determine the quotient of:

11 (A) the STEP ONE amount; divided by

12 (B) the school corporation's assessed valuation for the year.

13 STEP THREE: Determine the product of:

14 (A) the STEP TWO amount; multiplied by

15 (B) one hundred (100).

16 **(f) The board of school trustees in a third class city may not set**  
 17 **a tax rate under this section that results in a combined tax rate**  
 18 **under this section and IC 20-26-8-4 that exceeds the sum of:**

19 **(1) the tax rate imposed by the school corporation under**  
 20 **IC 20-26-8-4; plus**

21 **(2) the tax rate imposed by the school corporation under this**  
 22 **section;**

23 **for ad valorem property taxes first due and payable in 2006.**

24 SECTION 5. [EFFECTIVE UPON PASSAGE] IC 6-1.1-21-2,  
 25 IC 20-26-8-4, and IC 21-2-15-11, all as amended by this act, apply  
 26 only to ad valorem property taxes first due and payable after  
 27 December 31, 2006.

28 SECTION 6. An emergency is declared for this act.

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