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FISCAL IMPACT STATEMENT

LS 6651

BILL NUMBER: SB 388

NOTE PREPARED: Mar 24, 2009

BILL AMENDED: Mar 23, 2009

SUBJECT: Property Tax Levies for Mental Health Services.

FIRST AUTHOR: Sen. Broden

FIRST SPONSOR: Rep. Pelath

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *Maximum Levies:* This bill permits a county that wants to impose a property tax levy for the first time after 2008 for a community mental health center (CMHC) or a community mental retardation and other developmental disabilities (MRDD) center to submit a first year budget for approval by the Department of Local Government Finance (DLGF). It provides that the first year levy for the approved budget is outside the property tax levy limit.

Circuit Breakers: The bill also increases the circuit breaker property tax credit that applies to property taxes first due and payable in 2009.

Effective Date: (Amended) January 1, 2009 (retroactive); Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Maximum Levies:* Under HEA 1001-2008, the property taxes levied by a county for a CMHC or an MRDD center are exempt from the county's maximum levy limit if the center was funded in 2008. Future county levies are subject to the county's maximum levy limit in counties that did not fund a center in 2008. In addition, levy growth for existing centers is limited to the income-based assessed value growth quotient (about 4% per year).

Prior to the passage of HEA 1001-2008, these levies were not subject to the county's maximum levy limit. Levy growth for a CMHC was already limited to the AV growth quotient. The levy for an MRDD center was (and still is) limited to the amount generated by a tax rate of \$0.0333 per \$100 AV, as adjusted for valuation adjustments since 2003.

Under this bill, a future levy to support a center in a county that had not imposed a levy before January 1, 2009 would be exempt from the county's maximum levy limit. The DLGF would have to approve the county's initial appropriation (and maximum levy exception). The existing annual levy growth limits would remain in place.

Currently, every county funds a CMHC and 79 counties fund an MRDD center. Total levies for 2008 (or 2007 in a few counties) were \$32.4 M for CMHCs and \$10.8 M for MRDD centers.

The maximum amount that could be levied for an MRDD center in the 13 counties that haven't funded one is about \$5.5 M. These counties include Daviess, Hancock, Hendricks, Henry, Howard, Jefferson, LaPorte, Martin, Parke, Posey, Putnam, Shelby, and Sullivan.

The additional levy could increase circuit breaker credits in areas where the circuit breaker has been triggered. The actual fiscal impact depends on local action and DLGF approval.

(Revised) *Circuit Breakers*: Under current law, the property tax circuit breaker caps for taxes payable in 2009 will apply as follows:

- 1.5% gross AV threshold – Homesteads.
- 2.5% gross AV threshold – Non-homestead residential property, commercial apartments, long-term care facilities, land under a mobile home, and land used for agricultural purposes.
- 3.5% gross AV threshold – All other real and personal property.

For taxes payable in 2010 and later, the circuit breaker will currently apply as follows:

- 1.0% gross AV threshold – Homesteads.
- 2.0% gross AV threshold – Non-homestead residential property, commercial apartments, long-term care facilities, land under a mobile home, and land used for agricultural purposes.
- 3.0% gross AV threshold – All other real and personal property.

In addition, beginning in 2009, the annual increase in the net property tax bill for homestead property with a gross AV under \$160,000 that is owned by an individual who is at least 65 years old and has income under \$30,000 (\$40,000 joint), is limited to 2%.

Under this bill, the circuit breaker caps for 2009 would be reduced to 1.0%, 2.0%, and 3.0% from the current 1.5%, 2.5%, and 3.5% level. The caps for 2010 and later years would remain unchanged at 1.0%, 2.0%, and 3.0%. The additional elderly homeowner cap would also remain in place.

The total cost of the circuit breaker credits under the bill is estimated at \$411.3 M in CY 2009, \$392.6 M in CY 2010, and \$443.3 M in CY 2011. The increase in the cost as compared to the estimated cost under current law is estimated at \$221 M in CY 2009, \$0 in CY 2010, and \$0 in CY 2011. Circuit breaker credits reduce revenue to local civil taxing units and school corporations. Additional credits further reduce revenues.

A portion of the circuit breaker credits attributable to school corporations will be offset in CY 2008 and CY 2009 by the supplemental school distributions authorized by HEA 1001 (2008). That bill appropriated \$50

M in CY 2009 and \$70 M in CY 2010 to distribute to school corporations whose circuit breaker loss exceeds 2% of the school's total levy. Under current law, the total distribution is estimated at \$32.0 M in 2009. The \$32 M amount will replace 100% of the school circuit breaker credits for qualifying schools.

Under this bill, the entire \$50 M appropriation would be distributed. So, the \$221 M additional cost for circuit breakers in 2009 under this bill would be partially offset by the \$18 M in available supplemental school distributions. The net additional loss to civil taxing units and school corporations under this provision is about \$203 M.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: All local civil taxing units and school corporations.

Information Sources: LSA's Parcel-level assessment and tax data; OFMA Income Tax Databases, Local Government Database, Department of Local Government Finance; Global Insight.

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