

Selected Chronology
Property Tax Relief, Replacement, & Reform in Indiana:
1973 – 2007
Mark D. Brown
Indiana Association of REALTORS

- 1973: The enactment of the Bowen Property Tax Control Plan. It
- Established the Property Tax Replacement Fund, which provided a state subsidy of local property taxes (initially intended to be 20% of the property tax). Funding came from a 2% increase in the state sales tax.
 - Authorized the first local option income tax – CAGIT – which would replace property taxes, and
 - Froze *levies* for those counties that adopted CAGIT and froze *rates* for those counties which did not adopt CAGIT
- 1979: Enactment of property tax levy limits based on assessed value growth
- Allowed increases in property tax levies based on three year average increase in AVs
 - Allowed units to appeal to state for levies in excess of limits.
- 1983: Enactment of Homestead Credit
- State subsidy
 - Rate = 4%
- 1983: Enactment of the County Option Income Tax (COIT)
- Revenue distribution did not include schools
 - COIT could be used entirely for additional revenue
 - COIT could also be used to fund a local Homestead Credit
- 1987: Enactment of County Economic Development Income Tax (CEDIT)
- Revenue could be used for capital projects
 - Revenue could be used for economic development
- 1989: Increased Homestead Credit Rate to 6% for 1990, then decreases rate to 5% in 1991 and 4% in 1992.
- 1990: Enacted a 15% cut of auto excise taxes, state replaced revenue to local units from Lottery. Repealed during the 1990-1991 recession
- 1994: Enacted a “phased in” cut in auto excise taxes – eventually the cut would be 50%. State replaced revenue from lottery profits and gaming taxes.
- 1996: Accelerated phase in of 50% Auto excise tax cut to full 50% immediately.

1996: Increased Homestead Credit from 4% to 8% for 1996, then decreases the rate to 6% in 1997 and 4% in 1998 and beyond.

1997: Increased Homestead Credit to 10% for 4 years, then decrease the rate to 4%.

1999:

- Enacted a property tax credit against tax liability on up to \$12,500 AV of personal property, paid for from state GF/PTRF.
- State took over responsibility for all costs formerly paid from County Welfare and County Welfare Administration property tax levies
- Removed the “add-back” provisions for business and corporate income taxes, reducing the after tax cost of property tax paid by business.
- Enacted a property tax deduction of up to \$2,500 for homeowners from individual income tax
- Increased the Renters’ Deduction from \$1,500 to \$2,000

2001:

- Repeals \$12,500 AV tax credit enacted in 1999
- Replaces it with credit against personal property AV of up to \$37,500
- Includes mobile and manufactured homes not assessed as real property in eligibility for Homestead Credit and for certain AV deductions.
- Extends the Homestead Credit percentage of 10% for two years (2002 and 003)

2002: “Tax Restructuring”

- Reinstates the old administrative rules concerning personal property assessment beginning with the March 1, 2003, assessment date.
- For the March 1, 2002, assessment date, requires the assessment of tangible personal property under the new rules, except that assessment of construction in process at 10% of cost and the 35% inventory adjustment under the old rules apply.
- Establishes a property tax exemption for certain inventory that is altered into a new form and will be shipped, or will be incorporated into personal property that will be shipped, to a destination outside Indiana.
- Establishes a 100% deduction for the assessed value of inventory beginning with assessments made in 2006.
- Authorizes a county to provide a property tax deduction equal to 100% of the assessed value of inventory in that county for assessments made in a calendar year that ends before January 1, 2006.
- Provides that a county may impose an additional Economic Development Income Tax for the purpose of providing increased homestead credits to offset a county or statewide inventory tax deduction.
- Changes the assessed value growth quotient formula to allow property tax levies to increase at the rate that Indiana nonfarm personal income increases.
- Increases the standard property tax deduction for homesteads from \$6,000 to \$35,000.
- Increases the homestead credit to 20% beginning in 2003.
- Increases the property tax replacement credit (PTRC) rate for all property taxes levied for a school general fund to 60%.

- Provides that the PTRC rate for real property owned by individuals and businesses and for personal property owned by an individual is 20%.
- Provides additional remedies for the TIF areas that have reduced revenues as a result of certain changes in property tax laws.
- increased sales tax by 1%
- increased renters' deduction from \$2,000 to \$2,500

2004: Increased the following property tax deductions by approximately:

- elderly – 139%, blind/disabled – 108%, disabled veterans, WWI veterans and surviving spouse, and wartime service-connected disabled veterans – all veterans = 108%.
- Created the Property Tax Replacement Study Commission
- Enactment of a one time (for CY 2004) increase in the income tax deduction for homeowners property taxes paid in CY 03 and 04.

2005:

- Property Tax Subsidies via Property Tax Replacement Fund and Homestead Credits capped at FY 2004 level.
- Enactment of 2% circuit breaker for homestead property – requires local ordinance.

2006:

- Increases Homestead Credit from 20% to 28% for CY 2006
- Increases Homestead Deduction from \$35,000 to \$45,000 for CY 2007
- Extends the 2% circuit breaker
 - Applies without the passage of a local ordinance in Lake County in CY 2007
 - Applies without the passage of a local ordinance in all counties in Cy 2008
 - Applies to all classes of property in 2010

2007:

- Enactment of a \$300 million property tax rebate to homeowners in CY 07
- Increases the homestead credit in CY 09, cost to state = \$112 mil. in FY 08 and \$138 mil. in FY 09
- Extends the Homestead Deduction at \$45,000 for CY 2008, reduces it by \$1,000 each year until the deduction reaches \$40,000.
- Authorizes additional CAGIT or COIT for the purpose of replacing property taxes. Maximum rate = 1.0%
- Authorizes additional local option income tax for levy growth that would otherwise be funded via property tax. Maximum rate = 1.0%
- Authorizes an additional local option income tax for public safety expenditures. Maximum rate = 0.25% (Marion County = 0.45%)
- Creates a new county board of tax and capital projects review
- Adjusts the circuit breaker enacted in 2003 such that the circuit breaker is 2% for homestead property, beginning in 2008, and 3% for all other property, beginning in 2010. Also excludes public school property taxes from the circuit breaker

