

# HOUSE BILL No. 1120

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.6.

**Synopsis:** Special purpose local income tax rates. Provides that for each county that: (1) received a special distribution of local income tax revenue in 2016; and (2) imposed one or more special purpose rates that were in effect during 2016; the county will receive an increased share of local income tax revenue in 2018, 2019, and 2020 to make up for the fact that the special distribution of local income tax revenue under SEA 67-2016 did not allocate any part of the special distribution to a special purpose for which a special purpose rate was in effect in the county in 2016.

**Effective:** July 1, 2017.

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January 5, 2017, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session of the 120th General Assembly (2017)

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 2016 Regular Session of the General Assembly.

## HOUSE BILL No. 1120

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

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

SECTION 1. IC 6-3.6-6-3, AS AMENDED BY THE TECHNICAL CORRECTIONS BILL OF THE 2017 GENERAL ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]:  
Sec. 3. Revenue raised from a tax imposed under this chapter shall be treated as follows:

*(1) If an ordinance described in section 2.5 of this chapter is in effect in a county, to make a distribution to the county equal to the amount of revenue generated by the rate imposed under section 2.5 of this chapter.*

**(2) After making the distribution described in subdivision (1), if any, if IC 6-3.6-9-18 applies to the county, to make distributions to a county in 2018, 2019, and 2020 equal to the amount determined for the county under IC 6-3.6-9-18(c). A county that receives a distribution under this subdivision in 2018, 2019, or 2020 shall use the money for the special purposes for which the special purpose rates were adopted in the county, as described in IC 6-3.6-7. The department of local**



**government finance shall treat revenue distributed to a county under this subdivision in the same manner that revenue derived from a special purpose rate under IC 6-3.6-7 is treated.**

~~(1)~~ ~~(2)~~ **(3)** *After making the distribution described in ~~subdivision subdivisions (1) and (2), if any,~~ to make distributions to school corporations and civil taxing units in counties that formerly imposed a tax under IC 6-3.5-1.1 (repealed). The revenue categorized from the ~~first next~~ twenty-five hundredths percent (0.25%) of the rate for a former tax adopted under IC 6-3.5-1.1 (repealed) shall be allocated to school corporations and civil taxing units. The amount of the allocation to a school corporation or civil taxing unit shall be determined using the allocation amounts for civil taxing units and school corporations in the ~~determination~~ county.*

~~(2)~~ ~~(3)~~ **(4)** *After making the distributions described in subdivisions (1) ~~and (2),~~ through (3), the remaining revenue shall be treated as additional revenue (referred to as "additional revenue" in this chapter). Additional revenue may not be considered by the department of local government finance in determining:*

(A) any taxing unit's maximum permissible property tax levy limit under IC 6-1.1-18.5; or

(B) the approved property tax rate for any fund.

*In the case of a civil taxing unit that has pledged the tax from additional revenue for the payment of bonds, leases, or other obligations as reported by the civil taxing unit under IC 5-1-18, the adopting body may not, under section 4 of this chapter, reduce the proportional allocation of the additional revenue that was allocated in the preceding year if the reduction for that year would result in an amount less than the amount necessary for the payment of bonds, leases, or other obligations payable or required to be deposited in a sinking fund or other reserve in that year for the bonds, leases, or other obligations for which the tax from additional revenue has been pledged.*

SECTION 2. IC 6-3.6-6-11, AS AMENDED BY THE TECHNICAL CORRECTIONS BILL OF THE 2017 GENERAL ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]:  
Sec. 11. (a) Except as provided in this chapter and IC 6-3.6-11, this section applies to an allocation of certified shares in all counties.

(b) Subject to this chapter, any civil taxing unit that imposes an ad valorem property tax in the county that has a tax rate in effect under



this chapter is eligible for an allocation under this chapter.

(c) A school corporation is not a civil taxing unit for the purpose of receiving an allocation of certified shares under this chapter. The distributions to school corporations and civil taxing units in counties that formerly imposed a tax under IC 6-3.5-1.1 (*repealed*) as provided in section ~~3(1)~~ ~~3(2)~~ **3(3)** of this chapter is not considered an allocation of certified shares. A school corporation's allocation amount for purposes of section ~~3(1)~~ ~~3(2)~~ **3(3)** of this chapter shall be determined under section 12 of this chapter.

(d) A county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113) is not a civil taxing unit for the purpose of receiving an allocation of certified shares under this chapter unless a majority of the members of each of the county fiscal bodies of the counties within the district passes a resolution approving the distribution.

(e) A resolution passed by a county fiscal body under subsection (d) may:

- (1) expire on a date specified in the resolution; or
- (2) remain in effect until the county fiscal body revokes or rescinds the resolution.

SECTION 3. IC 6-3.6-6-12, AS AMENDED BY P.L.180-2016, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 12. (a) Except as provided in this chapter and IC 6-3.6-11, this section applies to an allocation of certified shares in all counties.

(b) The allocation amount of a civil taxing unit during a calendar year is equal to the amount determined using the following formula:

STEP ONE: Determine the sum of the total property taxes being imposed by the civil taxing unit during the calendar year of the distribution.

STEP TWO: Determine the sum of the following:

- (A) Amounts appropriated from property taxes to pay the principal of or interest on any debenture or other debt obligation issued after June 30, 2005, other than an obligation described in subsection (c).
- (B) Amounts appropriated from property taxes to make payments on any lease entered into after June 30, 2005, other than a lease described in subsection (d).

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

STEP FOUR: Determine the sum of:

- (A) the STEP THREE amount; plus



(B) the civil taxing unit's certified shares plus the amount distributed under section ~~3(2)~~ **3(3)** of this chapter for the previous calendar year.

The allocation amount is subject to adjustment as provided in IC 36-8-19-7.5.

(c) Except as provided in this subsection, an appropriation from property taxes to repay interest and principal of a debt obligation is not deducted from the allocation amount for a civil taxing unit if:

(1) the debt obligation was issued; and

(2) the proceeds were appropriated from property taxes; to refund or otherwise refinance a debt obligation or a lease issued before July 1, 2005. However, an appropriation from property taxes related to a debt obligation issued after June 30, 2005, is deducted if the debt extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid.

(d) Except as provided in this subsection, an appropriation from property taxes to make payments on a lease is not deducted from the allocation amount for a civil taxing unit if:

(1) the lease was issued; and

(2) the proceeds were appropriated from property taxes; to refinance a debt obligation or lease issued before July 1, 2005. However, an appropriation from property taxes related to a lease entered into after June 30, 2005, is deducted if the lease extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid.

SECTION 4. IC 6-3.6-6-20, AS AMENDED BY THE TECHNICAL CORRECTIONS BILL OF THE 2017 GENERAL ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]:  
Sec. 20. (a) *This section does not apply to distributions of revenue under section 9 of this chapter.*

~~(a)~~ (b) *This section applies only to the following:*

(1) *Any allocation or distribution of revenue under section ~~3(1)~~*



~~3(2)~~ **3(3)** of this chapter that is made on the basis of property tax levies in counties that formerly imposed a tax under IC 6-3.5-1.1 (before its repeal January 1, 2017).

(2) Any allocation or distribution of revenue under section ~~3(2)~~ **or** ~~3(3)~~ **3(4)** of this chapter that is made on the basis of property tax levies in counties that formerly imposed a tax under IC 6-3.5-6 (before its repeal January 1, 2017).

(c) Subject to subsection (b), if a school corporation or civil taxing unit of an adopting county does not impose a property tax levy that is first due and payable in a calendar year in which revenue under section ~~3(2)~~ ~~3(2)~~ **3(3)** *or* ~~3(3)~~ **3(4)** of this chapter is being allocated or distributed, that school corporation or civil taxing unit is entitled to receive a part of the revenue under section ~~3(1)~~ *or* ~~3(2)~~ **3(3)** *or* ~~3(3)~~ **3(4)** of this chapter (as appropriate) to be distributed within the county. The fractional amount that such a school corporation or civil taxing unit is entitled to receive each month during that calendar year equals the product of the following:

(1) The amount of revenue under section ~~3(2)~~ ~~3(2)~~ **3(3)** *or* ~~3(3)~~ **3(4)** of this chapter to be distributed on the basis of property tax levies during that month; multiplied by

(2) A fraction. The numerator of the fraction equals the budget of that school corporation or civil taxing unit for that calendar year. The denominator of the fraction equals the aggregate budgets of all school corporations or civil taxing units of that county for that calendar year.

~~(b)~~ (d) Subject to subsection (b), if for a calendar year a school corporation or civil taxing unit is allocated a part of a county's revenue under section ~~3(2)~~ ~~3(2)~~ **3(3)** *or* ~~3(3)~~ **3(4)** of this chapter by subsection ~~(a)~~ (c), the calculations used to determine the shares of revenue of all other school corporations and civil taxing units under section ~~3(2)~~ ~~3(2)~~ **3(3)** *or* ~~3(3)~~ **3(4)** of this chapter (as appropriate) shall be changed each month for that same year by reducing the amount of revenue to be distributed by the amount of revenue under section ~~3(2)~~ ~~3(2)~~ **3(3)** *or* ~~3(3)~~ **3(4)** of this chapter allocated under subsection ~~(a)~~ (c) for that same month. The department of local government finance shall make any adjustments required by this subsection and provide them to the appropriate county auditors.

SECTION 5. IC 6-3.6-9-18 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: **Sec. 18. (a) This section applies to each county that:**

**(1) received a special distribution under section 17 of this chapter in 2016; and**



(2) imposed one (1) or more special purpose rates in 2016 under a predecessor statute of IC 6-3.6-7.

(b) For each county to which this section applies, the budget agency shall before August 1, 2017, compute the part of the special distribution that the county received under section 17 of this chapter in 2016 that would have been allocated to the special purposes for which the county adopted one (1) or more special purpose rates under a predecessor statute of IC 6-3.6-7 if the special distribution made to the county under section 17 of this chapter in 2016 had been allocated in the manner that supplemental distributions are allocated under section 15 of this chapter instead of the manner in which the special distributions were allocated under section 17 of this chapter.

(c) For each county to which this section applies, the annual amount the county is to receive in 2018, 2019, and 2020 under IC 6-3.6-6-3(2) is equal to:

- (1) the amount determined for the county under subsection (b); divided by
- (2) three (3).

(d) After the budget agency identifies the counties to which this section applies and computes the amounts under subsections (b) and (c) for each county to which this section applies, the budget agency shall provide each county auditor with an informative summary showing the computations of the amounts.

