

Economic Development Tools

House Bill 1001 and Senate Joint Resolution 1 – Property Tax Relief

Hoosier taxpayers will see immediate property tax relief, and the process for permanent property tax reform is under way. The Indiana General Assembly adopted a sweeping property tax plan that raises the sales tax and caps property tax bills in order to cut average Hoosier homeowners' tax bills.

The immediate relief is in the form of homestead property tax credits at a statewide average of almost 30 percent, \$1 billion removed from property taxes, strict caps on property tax rates and controls on public spending.

Permanent reform is contained in Senate Joint Resolution 1, which begins the process of adding permanent rate caps to the Indiana Constitution.

The House vote on House Bill 1001 was 82-17 and the vote on Senate Joint Resolution 1 was 79-20. The Senate approved House Bill 1001 with a 41-6 vote and passed Senate Joint Resolution 1 with a 40-7 vote.

House Bill 1001, which was based on Governor Mitch Daniels' property tax blueprint, empowers voters to control local spending through referenda, and it closes spending loopholes and improves oversight on local budgets.

These are highlights of the property tax plan:

Help for Hoosier homeowners. The plan features \$620 million in immediate relief for 2008, \$1 billion removed from property tax levies, referenda that empower voters to control or allow spending and a constitutional guarantee of property tax caps. There also is \$140 million of relief in 2009, and \$80 million of relief in 2010.

Help for all Hoosier property-tax payers. Cut now and cap forever. The plan, in addition to immediate relief, forwards the process of permanent caps through a constitutional guarantee of property tax caps. SJR 1 begins the process of permanent caps of 1 percent of assessed value for homesteads, 2 percent for rental and agricultural properties and 3 percent for business and other property.

Help for local governments. The plan, at the county level, removes from property taxes the costs of four child-welfare levies, juvenile incarceration and health care for the indigent. At the municipal level, it removes the remaining pre-1977 police and fire pensions from property taxes, and it includes support for police and fire services.

Help for Hoosier schools. The plan removes school operations and special education preschool costs from property taxes. It also includes \$120 million in circuit-breaker relief and \$400 million in tuition reserve fund money.

Help for low-income Hoosiers. The plan includes an overall decrease in taxes for low-income taxpayers, renters' deductions, caps for low-income senior-citizen homeowners and earned income credits.

House Bill 1001 now goes to Governor Daniels, who plans to sign the bill during a public ceremony in the State House Rotunda on Wednesday, March 19, at 1:00 PM.

Senate Joint Resolution 1, which initiates the process of permanent caps through a constitutional guarantee of property tax caps, will be presented again to the next General Assembly. Property tax caps would limit homeowners' tax bills to 1% of their home's assessed valuation, with rental and farm property

capped at 2% and business property capped at 3%. If the same version passes that legislature, it will be placed on the statewide ballot for all Hoosier voters. If they approve the measure, the caps will become part of the state Constitution.

Senate Bill 197 – Minority and women businesses

Authored by the late Senator David Ford (R- Hartford City), SB 197 excludes utilities, certain health care services, and rent from the definition of "goods and services" for purposes of contracting with minority and women's business enterprises. The measure provides that the commissioner of the Indiana Department of Transportation may designate the economic opportunity director of the department to attend meetings of the governor's commission on minority and women's business enterprises. Among other provisions, the bill amends the horse racing commission law to: (1) remove the commission's authority to establish and administer a unified certification procedure; and (2) require the commission to use the certifications of minority and women's business enterprises made by the department of administration. This bill, too, has passed the General Assembly and is awaiting action by Governor Daniels.

Senate Bill 18 and Senate Bill 17 – Tax Increment Financing

Two Tax Increment Financing (TIF) bills that, if passed, would have harmed Indiana's ability to attract and commit to proposed economic development initiatives failed during the 2008 legislative session.

Senate Bill 18, authored by Senator Gary Dillon (R- Pierceton), would have provided a referendum process for bonds. Among other measures, the bill included a provision to allow for a referendum, placing any proposed property tax bonds—which could include bonds payable from TIF, tax increment financing—on an election ballot. If passed, this measure would have harmed Indiana's ability to (1) commit to proposed economic development initiatives and (2) attract commitments from prospective companies for economic development projects because of the potential delay of TIF bond issuance until after the next election.

Senate Bill 17, authored by Senator Luke Kenley (R- Noblesville), dealt with certain bonds issued, or leases entered into, by redevelopment commissions and other local government entities for various redevelopment and economic development purposes. One measure of the proposed bill would have required a "petition and remonstrance process" for TIF bonds, except if waived by the Indiana Economic Development Corporation (IEDC). It would have been problematic to require this petition-remonstrance process for economic development projects because it would subject TIF bonds to the approval of all taxpayers and because this approval process could take multiple months. Additionally, the bill would have limited the use of TIF expenditures outside an area to projects that are physically connected to the site. Current law holds that TIF funds may also be used to fund projects that are located "in or serving" a TIF area. Any change to this law would have prevented TIF from being available to fund nearby infrastructure. TIF should be allowed to fund projects that are within close proximity to the economic development area and that undoubtedly serve the site.

TechPoint maintains that TIF is a significant economic development tool that should be preserved. No legislation should jeopardize property tax dollars which are designated to TIF districts. This includes any measure that puts TIF districts at risk and, subsequently, discourages investment in that area and makes the district unable to fulfill its bonds, leases, and other public improvement obligations.