

Circuit Breaker Property Tax Limits in HEA1001 (2008), Sections 213-223

- The limit for homeowners in 2008 is 2% of assessed value, as passed in 2007
- Taxpayers whose tax bills exceed the limits will receive a tax credit
- Circuit breaker credits are phased in for property taxes in 2009. The circuit breaker credit limits a person's property tax liability to a percentage of the gross assessed value of the property equal to
 - 1.5% for homesteads
 - 2.5% for other residential property, agricultural land and long term care property
 - 3.5% for nonresidential real property and personal property
- For property taxes in 2010 and after, the circuit breaker credit limits a person's property tax liability to a percentage of the gross assessed value of the property equal to
 - 1 % for homesteads
 - 2% for other residential property, agricultural land and long term care property
 - 3% for nonresidential real property and personal property
- The tax credit will not be funded by the state government; local jurisdictions lose this revenue
- Revenue losses will be divided among local jurisdictions based on each jurisdiction's share in the property tax rate
- Capital projects that are passed by referenda are *not* subject to the circuit breaker limits
- Local governments must fully fund the payment of their debt obligations, regardless of any reduction in property tax collections due to the circuit breaker credit.
- Provisions to address local government revenue shortfalls due to circuit breaker credits
 - If a school corporation loses more than 2% of its property tax levy because of the circuit-breaker credits, it receives an added state grant in 2009 and 2010 to replace a portion of the lost revenue.
 - For Lake and St. Joseph counties, property taxes for debt service or lease payments entered into before July 1, 2008, will not be included in the circuit breaker credit calculation.
 - The distressed unit appeal board may exempt debt service property taxes from the calculation of the circuit breaker credit. A distressed local government may appeal a decision of the distressed unit appeal board to the tax court for judicial review.
 - The 2007 local option income taxes are still available. Adopting these taxes for property tax relief can reduce circuit breaker credit losses.