

## **HEA 1001-2008: Indiana's New Property Tax Reforms**

- State takes over property tax levies for the school general fund, county welfare funds, a few smaller funds, fully phased in by 2010
  - Reduces property tax levy \$2.8 billion statewide by 2010
- Sales tax increase from 6% to 7%, as of April 1
  - Will raise \$620 million in 2008, to be used for temporary homestead tax relief
  - Will raise about a billion dollars by 2010, to be used to fund levy takeovers
- Eliminates existing property tax replacement credit and homestead credit payments to local governments
  - Uses the \$2 billion in existing state tax relief to fund levy takeovers
  - This is not added tax relief, it's a rearrangement of existing tax relief
- Channels property tax relief to homeowners by increasing the homestead standard deduction
  - Supplemental deduction is 35% of homestead assessed value after \$45,000 standard deduction is subtracted, up to \$600,000; 25% for assessed value above that
  - Cap on \$45,000 standard deduction raised from 50% to 60% of assessed value
- Partially offsets sales tax increases for low income renters
  - Raises the income tax deduction for renters from a \$2,500 maximum to a \$3,000 maximum
  - Increases the Indiana earned income credit from 6% to 9% of the Federal credit
- Tax bill increases for lower income homeowners age 65 and over are limited to 2% a year
- Circuit breaker credits will fully phase in by 2010
  - Limit homeowner taxes to 1 % of assessed value before deductions
  - Limit rental housing and farm land taxes to 2% of assessed value before deductions
  - Limit other taxes to 3% of assessed value before deductions
  - These limits are in HE A1001. The legislature also passed a constitution amendment resolution containing the circuit breaker limits, which starts the process to put them into the state constitution.
  - Governments in Lake and St. Joseph Counties will exempt debt service taxes from the circuit breaker limits
- Bigger school and other capital projects will be subject to voter referenda
  - Projects that pass voter referenda will be exempt from circuit breaker limits
- Eliminates most township assessors and township trustee assessing duties.
  - County assessors will handle most property assessment,
  - November referenda on whether to keep elected township assessors in larger townships