

**HEA 1001 - 2008**  
**Summary of Major Provisions**  
March 18, 2008

**PROPERTY TAX RELIEF**

**Increased Homestead Credits**

- Additional \$620M Homestead Credit reduces 2008 tax bills by statewide average of about 30% from pre-rebate 2007 tax bills (Reduction is 26% after 2007 Rebate)
- Permits a county that enacted a LOIT under HEA 1478 to pay a portion of its additional 2008 Homestead Credit in 2009 or 2010
- Homestead Credit - \$140M for 2009 and \$80M for 2010, funds distributed to counties within 2 weeks of the issuance of tax bills
- Eliminates existing PTRC and Homestead Credits and redirects the revenue instead to buy levies beginning 2009 – Every county receives significant additional State dollars
- Provides that tenant stock holders in cooperative housing units are eligible for Homestead Credits

**Circuit Breaker Protection for all Property Classes – Homesteads, Rentals, Apartments, Agricultural, Business Real and Personal**

- 2009: 1½% for Homesteads, 2½% for Other Residential and Agricultural Land, 3½% for Other Real & Personal Property
- After 2009: 1% for Homesteads, 2% for Other Residential and Agricultural Land, 3% for Other Real & Personal Property
- Licensed health facilities and assisted living facilities serving no more than 8 individuals are included in Other Residential
- Places property taxes used to pay debt service for Referendum Debt outside the Circuit Breaker Caps
- Provides that property taxes imposed in an eligible county to pay debt service or make lease payments for bonds issued before 7/1/08 are not considered in calculating a person's CB credit, eligible county defined as a county with an estimated CB impact of at least 20% for 2010
- General Assembly finds that Lake and St. Joseph Counties are eligible counties
- Provides that land rented or leased for the placement of a manufactured home or mobile home is defined as residential property and as such is subject to the 2009 2½% CB and the 2% CB after 2009 for residential property (A manufactured house and mobile home are already defined to be homesteads)
- Requires the County Auditor to certify total Circuit Breaker Credits granted in a county each year

**Increased Assessed Value Deductions for Homesteads**

- Increases the Standard Deduction for all Homesteads from the of lesser of \$45,000 or 50% of Assessed Value (AV) to the lesser of \$45,000 or 60% of Assessed Value
- Creates a new Supplemental Deduction equal to 35% of the next \$600,000 of AV remaining after application of the Standard Deduction and 25% of the remaining AV over \$600,000
- Directs DLGF to adopt rules to prevent married couples from claiming more than 1 Standard Deduction

### **Elimination of Property Tax Levies and State Assumption of Local Costs**

- Removes nearly \$1B from existing property taxes and transfers the expense to the State
- Totally eliminates the following levies
  - Remaining School General Fund Levy
  - Four Child Welfare Levies (Medical Assistance to Wards, Children's Residential Psychiatric Treatment Fund, Children w/Special Health Care Needs, County Family and Children Fund)
  - All State Property Tax Levies (State Fair, DLGF and DNR Forestry), provides the State may not impose any property taxes except to repay notes issued to cover borrowing for a casual deficit
  - Hospital Care for the Indigent (HCI) (Includes \$40 for Marion County Health and Hospital Corporation to offset indigent care in the county since Marion does not have a separate HCI levy)
  - Pre-school Special Education
- Local costs assumed by the State beginning 2009:
- 100% of Pre-1977 Local Police and Fire Pension Payments after distributions from PDIF earnings (State currently pays at least 50%)
- 100% of the cost for incarceration of juveniles in State Correctional Facilities
- Civil units must decrease levies by the amount of state pick ups to provide tax relief (Marion county reduces its HHC levy by \$35M to help maintain leverage of federal funds)

### **Relief for Seniors and Other Taxpayers**

- Provides a property tax credit for seniors with individual incomes of less than \$30,000 or joint incomes of less than \$40,000 and AV that does not exceed \$160,000 for taxes that increase by more than 2% per year beginning with 2009 Taxes (increased over 2007 Taxes)
- Increases the Renter's Deduction from \$2,500 to \$3,000
- Increases the Earned Income Tax Credit from 6% to 9% and repeals the expiration date

### **CIRCUIT BREAKER RELIEF FOR SCHOOLS**

- Provides \$120M to offset the Circuit Breaker impact for schools that lose at least 2% of property tax revenues (\$50M for 2009, \$70M for 2010)
- Grants paid based on each eligible school's proportional share of Circuit Breaker costs for all schools
- Reduces net Circuit Breaker impact for schools to about \$7.7M for 2009 and about \$89.1M for 2010 with assumption of no additional LOIT
- Would reduce Circuit Breaker impact for schools to about \$4.3M for 2009 and about \$7.4M for 2010 with the assumption of 1% additional LOIT distributed 50% to homesteads and 50% to PTRC
- Allows schools to have a referendum to offset Circuit Breaker impacts (7 year life)

### **DISTRESSED UNIT APPEAL BOARD**

- Changes the name of the Circuit Breaker Relief Board to the Distressed Unit Appeal Board
- Adds two members to the Distressed Unit Appeal Board – 1 appointed by the Governor and 1 appointed by the Speaker of the House, Speaker's appointment is for a 4 year term
- Changes the threshold for appeal from a 2% to a 5% reduction in property tax collections
- Permits a unit to petition the court for judicial review of a final determination of the Board, requires the board to keep a record of proceedings
- Requires a distressed unit to include in its financial plan submitted to the Board proposed increases in the Circuit Breaker caps and proposed reductions in CB credits allowed to taxpayers if such are proposed
- Allows the Board to consider placing some or all of the taxes imposed for debt service outside the calculation used to determine a taxpayer's Circuit Breaker credits

## **STATE TAXES & REVENUE**

- Increases the State Sales and Use Tax by 1¢ from 6¢ to 7¢ effective April 1, 2008
- Adjusts the allocation percentages so full \$.01 is deposited into the State General Fund
- Adjusts Sales Tax collection allowances for retail merchants to reflect rate increase
- Permits individuals that pay 2007 property taxes in 2008 because of late property tax billing to claim the 2007 deduction on the 2008 income tax return
- Directs Wagering Taxes from slots at the Horse Tracks to General Fund to help pay for levy assumption
- Eliminates the Property Tax Replacement & Property Tax Reduction Funds, redirects sales tax, income tax & gaming taxes previously deposited into the Funds to the State General Fund

## **STATE TUITION RESERVE FUND**

- Creates the State Tuition Reserve Fund and limits use of revenues to fund Tuition Support distributions
- Requires the Budget Agency to transfer \$50 from the General Fund to the Tuition Reserve Fund by 12/31/10, provides for an approximate \$400 Million Balance by 2010

## **LOCAL OPTION INCOME TAXES (LOIT)**

- Retains the LOIT Options from HEA 1478 – 2007. Counties can increase LOIT: to pay for budget increases (instead of increasing levies), to provide dollar for dollar property tax relief or for to pay for Public Safety costs (Counties must adopt a LOIT rate to pay for budget increase or for dollar for dollar relief at least equal to the rate for Public Safety, max rate for Public Safety is .25%)
- Requires counties to make annual decisions whether to increase LOIT or increase levies to fund the increase in operating budgets
- Cities, towns & counties can agree to pool LOIT for Public Safety to pursue one or more large projects
- Provides three new alternative methods for allocation of LOIT in Lake County
- Requires Comm. on State Tax & Financing Policy to study LOIT allocation and report by 11/1/08
- Permits political subdivisions to continue to receive LOIT allocations that would otherwise be lost as a result of elimination of levies
- Allows counties to make a decision each year to reallocate LOIT revenue adopted for tax relief among homesteads, residential property and broad based property tax relief
- Clarifies the calculation under which HEA 1478 LOIT revenues are paid as property tax replacement credits for residential and other real and personal property
- Requires that LOIT and Excise Tax allocations are made based on levy shares as calculated before assumption of levies by the State
- Requires employers (and individuals filing estimated tax payments) to separate amounts paid between state and county liability
- Requires the DOR to develop reports and procedures to ensure that local income taxes are accurately and properly distributed to counties
- Provides that the owner of an industrial plant in Jasper County with a high percentage of the 2006 taxable AV in the county is not entitled to receive local PTRC otherwise payable from a HEA 1478 LOIT
- Extends the date by which a county may adopt/increase a LOIT in 2008 from August 1 to December 31

## **PROPERTY TAX BILLS AND STATEMENTS**

- Postpones from 2008 to 2009 the requirement for counties to use standard tax bills (Counties must still use the standard comparative statement designed by DLGF for 2008)
- Allows a County Council to permit taxpayers to make installment payments for reconciling tax bills
- Delays the mailing of estimated budget and tax levy statements for the next year to taxpayers from 2009 to 2010 and from August 1 to October 1 of each year

# **IMPROVEMENTS TO THE ASSESSMENT SYSTEM**

## **County and Township Assessors**

- Effective 7/1/08 transfers to the County Assessor assessment duties of all Township Assessors in Townships in which the number of parcels is less than 15,000
- Requires a Public Referendum to be held in the 2008 general election in all Townships that include at least 15,000 parcels to determine whether to transfer the assessing duties of the Township Assessor to the County Assessor
- Makes conforming changes for assessing procedures if there is no Township Assessor in a township
- Requires that a person who runs for the office of County Assessor after 1/1/12 must have attained a Level III Assessor-Appraiser Certification to be a candidate
- Requires that a person who runs for the office of Township Assessor after 1/1/12 must have attained a Level III Assessor-Appraiser Certification before taking office (Existing law requires that a person who runs for Township Assessor after 6/30/08 must have attained a Level II Assessor-Appraiser Certification before taking office)
- Requires that after 6/30/09 an employee of a Township Assessor that performs assessing duties must have attained at least the certification level required for Township Assessors
- Requires that after 6/30/09 an employee of a County Assessor that performs assessing duties must have attained at least the certification level required for County Assessors
- Provides that if a person elected to be a Township Assessor after January 1, 2012 has not attained a certification for a Level III Assessor-Appraiser the duties transfer to the County Assessor
- Provides that if a person is elected to be a Township Trustee after 6/30/08 and is not Level II certified, the person may not perform assessing duties
- Provides a process for removal of County and/or Township Assessors who fail to perform required duties
- Provides for an orderly transfer of records and adjustment of operating levies from Township Assessors to County Assessors
- Provides that persons elected to be Township Assessors before 7/1/08 are allowed to remain in office until completion of their terms to assist the County Assessor
- Transfers employment positions, real & personal property, obligations and funds from Township Assessors that are eliminated to County Assessors
- Requires County Assessors to interview Township Assessors that lose their positions for employment

## **Other Assessing Issues**

- Requires DLGF to conduct operational audits of assessors to improve quality/accuracy of assessments
- Provides that a county may contract for computer hardware and software for assessing systems only if DLGF is a party to the contract
- Provides that a political subdivision may not make a payment to a vendor for assessment related software unless the Department of Local Government Finance has certified the software
- Repeals Township Assessors authority to employ professional appraisers, provides that County Assessors may employ professional appraisers for assessments in all Townships in the county. DLGF may only approve such employment if the Department is a party to the contract
- Provides that standard contracts used to secure professional appraising services in a county must include a provision stating that DLGF is a party to the contract
- Simplifies the process by which a taxpayer can obtain a preliminary informal meeting with the assessor to review an assessment
- Provides that County or Township Assessors may not require taxpayers to present documentary evidence at a preliminary informal meeting

- Provides that the County Assessor is recused from any action taken by the PTBOA on an assessment determined by the County Assessor
- Permits counties with taxing units that cross into other counties to submit to DLGF the Assessed Values shown on the most current abstract (and not wait for the other county to complete its work)
- Repeals County Land Valuation Commissions
- Directs the Commission on State Tax & Financing Policy to study whether it is reasonable to require counties to use a single State designed automated Assessment/Auditor/Treasurer System and if it is reasonable for the State to fund some portion of the cost
- Increases the Productivity Factor for agricultural land strip mined after 12/31/07 from .5 to .75
- Converts the 100% deduction for inventory to an exemption
- Provides that if a Township Assessor discovers an assessment error, the Township Assessor must correct the error and reflect a credit on the next tax installment
- Requires DLGF to report to the Commission on State Tax and Financing Policy on alternative ways to assess property
- Allows a County Assessor to establish one or more satellite offices in a county
- Adjusts Cumulative Capital Rates to reflect the placement of assessed value at 100% of true tax value

## **TAXPAYER REVIEW AND OVERSIGHT OF CAPITAL PROJECTS**

### **Referendums and Petition Remonstrance**

- Requires a Petition Remonstrance Process for the following projects:
  - An elementary or middle school building to provide academic instruction for any combination of grades K-8 that is a controlled project and will not cost more than \$10M
  - A high school building to provide academic instruction for any combination of grades 9-12 that is a controlled project and will not cost more than \$20M
  - Any other controlled project that will not cost more than the lesser of \$12M or 1% of Gross AV (Most property tax backed projects that are not financed with revenue bonds such as utility bonds or TIF bonds are controlled projects)
- Requires a Referendum for the following projects:
  - An elementary or middle school building to provide academic instruction for any combination of grades K-8 that is a controlled project and will cost more than \$10M
  - A high school building to provide academic instruction for any combination of grades 9-12 that is a controlled project and will cost more than \$20M
  - Any other controlled project that will cost more than the lesser of \$12M or 1% of Gross AV (Most property tax backed projects that are not financed with revenue bonds such as utility bonds or TIF bonds are controlled projects)
- Requires inclusion of the issuer's current and expected debt rate and levy to be included in the notice of the preliminary determination to issue debt for both Petition Remonstrance and Referendum
- Petition Remonstrance and Referendums as appropriate are required only if either 100 property owners or registered voters or 5% of registered voters file a petition
- Prohibits schools/units from artificially dividing projects into smaller projects to avoid Referendum
- Establishes the same restrictions regarding use of facilities and resources or expenditure of funds to support a position for a Referendum as exists for Petition Remonstrance
- Allows County Councils to exempt Controlled Projects from a Petition Remonstrance or Referendum if the project results from a natural disaster or similar emergency
- Provides schools and civil units do not need DLGF approval to issue debt or enter into leases for capital projects if they make a preliminary determination to issue bonds after 6/30/08
- Provides schools/civil units don't need DLGF approval for construction/rehab of projects after 12/31/08

### **Little Red School House**

- Requires DOE to establish guidelines for selection and construction of buildings and other facilities
- Requires schools to submit building plans to DOE for review and requires DOE to provide written comments back to schools concerning whether the plans meet the guidelines
- Requires schools to have a public hearing on plans and the Dept of Education's written findings
- Requires DOE to establish a clearinghouse of prototype designs for school's reference and use

## **INCREASED LOCAL SPENDING CONTROLS**

### **Repeals 12 Excess Levy Appeals and 5 Maximum Levy Exceptions**

- Excess Levy appeals for Schools Eliminated:
  - Transfer Tuition Repealed (effective 2009)
  - Property Tax Shortfalls effective 2010 Repealed (effective 2010)
- Excess Levy Appeals for Civil Units Eliminated:
  - Costs of operating new courts Repealed in HEA 1478 (moves effective date to 2009)
  - Volunteer fire protection Repealed in HEA 1478 (moves effective date to 2009)
  - Public safety pensions Repealed in HEA 1478 (moves effective date to 2009)
  - Inc. Township assistance rates Repealed in HEA 1478 (moves effective date to 2009)
  - Public transportation services Repealed in HEA 1478 (moves effective date to 2009)
  - Hazardous waste removal Repealed in HEA 1478 (moves effective date to 2009)
  - Expand of jail - Howard County Repealed in HEA 1478 (moves effective date to 2009)
  - Increase in Township rate to pay municipality for fire protection Repealed in HEA 1478 (moves effective date to 2009)
  - Fire protection for townships that borrow for 3 consecutive years Repealed in HEA 1478 (moves effective date to 2009)
  - Purchasing or expanding voting systems Repealed in HEA 1478 (moves effective date to 2009)
- Repeals five exceptions that allow levy increases outside the max permissible levy:
  - Library Capital Projects
  - Fire Protection Territory
  - Short Term Township Assistance Borrowing
  - Historical Society for a school corp in a county with a population of between 200,000 and 300,000
  - Art Associations in several counties
- Places 2 categories of spending under the Assessed Value Growth Quotient:
  - Community Mental Health Centers (grandfathers existing payments outside the unit max levy)
  - Community Developmental Disabled Ctrs (grandfathers existing payments outside the unit max levy)
- Modifies the Appeal for Annexation to permit phase in of increased levy over the succeeding 4 years
- Makes excess levy exception for Supplemental Juror Fees subject to County Council approval eff. 2009
- Moves general appeal for lack of adequate funds to carry out functions from County Board to DLGF, requires appeal must be due to a natural disaster, an accident or some other unanticipated emergency
- Moves approval of correction of math errors and erroneous AV from the County Review Board to DLGF
- Reinstates (for 2009) an appeal to DLGF to reallocate property tax replacement credits for Goshen
- Provides that a Township may call a special meeting to consider if there is a need for fire and emergency service that require expenditure of funds not included in the Township's budget or levy and authorizes the legislative body to borrow funds in an amount equal to 80% of the total anticipated revenue for the remainder of the year. (Existing limit is 50%)

### **Additional Budget Oversight for Civil Taxing Units**

- Repeals County Boards of Tax and Capital Project Review
- For a county that does not have a County Board of Tax Review, requires the County Council to conduct a non-binding review and recommendation of the budgets and proposed levies for all civil taxing units in the county and compare the budget/levy increases to the growth in State and county personal income
- Provides that the County Council does not have to conduct the non-binding review of the budget for a civil unit if the unit does not levy taxes
- Provides that Civil Units that are governed by non-elected boards must have their budgets and levies approved by the fiscal body of the County Council (or City/Town Council if the Unit was created by the city/town) if budget or levy increases exceed the Assessed Value Growth Quotient
- Requires the city-county legislative body to adopt final operating and maintenance budgets for the Health and Hospital Corporation and other taxing units in Marion County that have a governing board not comprised of a majority of elected officials

### **INCREASED OVERSIGHT FOR TIF DISTRICTS**

- Provides that consent to grant a taxpayer a property tax deduction for a qualified investment in an enterprise zone that is located within an allocation area is subject to approval by the elected fiscal or legislative body that created the appropriate allocation area
- Provides that certain decisions made by Redevelopment Commissions are subject to approval by the elected fiscal or legislative body as follows:
  - Issuance of bonds and use of the power of eminent domain
  - Applying for federal grants and selling bonds to federal agencies
  - Payment of PTRC in allocation areas (including those located in Certified Technology Parks)
- Provides an exception to the maximum term for a coal gasification plant authorized before 12/31/07
- Provide that TIF districts cannot be created for a period exceeding 25 years (Existing max. is 30 years)
- Provides that if revenue has been decreased by an action of DLGF or the General Assembly the governing body of a TIF may:
  - Increase revenues by imposing a tax on the taxable property in the district, or
  - Impose a special assessment on the owners of the property in the allocation area or
  - Reduce the base assessed value of property in the TIF
  - Requires the governing body to submit a request to the legislative body of the unit, the legislative body may reduce the special assessment, determine no special assessment or property tax should be levied or increase the special assessment or levy to fully fund the replacement amount
  - Requires the governing body to publish notice, hold a public hearing and consider objections
- Requires the governing body of TIF Districts to increase the base assessed value if the district is generating excess funds
- Modifies the provision that allows TIF revenues to be used to finance projects “serving the allocation area” to provide that revenues may be used to finance local public improvements only if the improvements are located in or are physically connected to the allocation area
- Provides that if property located in an economic revitalization area is also located in an allocation area a taxpayer’s statement of benefits concerning that property must be approved by the legislative body
- Repeals a provision that shortened the approval process for enlargement of redevelopment project areas or urban renewal areas if the boundaries were enlarged by less than 20%
- Provides for the appointment of a school board member to serve as a non-voting advisor to each redevelopment commission. Initial appointments to be made by July 1, 2008
- Adds a requirement that to enlarge the boundaries of an allocation area, there must be a finding that the existing area does not generate sufficient revenues to meet the financial obligations of the original project unless the issuer receives a certification from the IEDC that the area should be enlarged

- Requires a Redevelopment Commission to annually provide a written notice to the county auditor and appropriate fiscal body of the amount of “excess” AV, if any, that may be reallocated from the redevelopment commission to other taxing units

## **INCREASED OVERSIGHT FOR LOCAL DEBT**

- Changes the definition of “Controlled Project” as follows:
  - Modifies the minimum cost for a project to qualify from at least \$2M to the lesser of \$2M or 1% of Gross AV if that amount is at least \$1M
  - Provides that a project is not a controlled project if the County Council finds it is in response to an accident or disaster
  - Provides a project is not a controlled project if it was not a controlled project and bonds were not issued prior to July 1, 2008
- Requires issuers to repay principal & interest on a substantially equal schedule except to:
  - Maintain substantially equal payments in the aggregate for all obligations
  - Accelerate repayment of principal
  - Provide for level principal payments
  - Account for variations in collections of tax increment revenues
- With respect to bonds payable from property taxes, special benefit taxes or TIF revenues:
  - Prohibits a local issuer from issuing refunding bonds after June 30, 2008 that have a maximum maturity longer than the maximum maturity of the bonds being refunded
  - Prohibits the use of savings from a refunding for any purpose other than funding a reserve, reducing levies or reducing outstanding debt
  - Provides that local issuing bodies may use surplus bond proceeds or investment earnings only to maintain a debt service reserve, to pay debt service on other bonds or to reduce taxes
- Provides that the maximum term or repayment period for obligations issued after June 30, 2008 and payable wholly or partially from property taxes, special benefit taxes on property or property tax increment revenues may not exceed:
  - The applicable term for obligations issued under a federal program
  - 25 years for obligations payable wholly or partially from property tax TIFs (30 years for construction of a coal gasification plant that has received certain approvals by 12/31/07)
  - 20 years for other obligations
- Provides that after June 30, 2008 DLGF review and approval is not needed for civil taxing units and schools to issue bonds or enter leases
- Requires that to the extent permitted by law balances in a debt service reserve fund must be used to reduce levies for debt service after maturity of all the outstanding bonds
- Provides that bond issues for taxing units in Marion County and other counties with an unelected board must be approved by the City-County Council
- Provides that political subdivisions are required to fully fund debt obligations regardless of any revenue loss resulting from Circuit Breakers, requires the Treasurer to intercept LOIT distributions to pay unpaid debt obligations
- Deletes a provision that permits wagering taxes distributed as revenue sharing to be used by counties & municipalities to provide additional property tax replacement credits in allocation areas

# **DEPARTMENT OF CHILD SERVICES**

## **STATE ASSUMPTION OF CHILD WELFARE LEVIES**

- Creates the State Family and Children's Fund (FCF) as a Line Item in the State's General Fund Budget
  - Provides the FCF for payment of expenses for child services and programs after 1/12009
  - Provides for budget augmentation if appropriations are insufficient
  - Vests responsibility for contracting programs & services with the DCS rather than the counties
  - Allows the counties to retain any funds remaining in the county FCF after payment of services ordered before January 1, 2009
- Establishes the Regional Service Councils (RSCs)
  - Defines the regional service regions
  - Requires counties to participate in RSCs
  - Describes the membership (DCS staff, juvenile court judges, GAL/CASAs, prosecuting attorneys,)
  - Compels each RSC to develop a regional services plan to deliver child welfare services for the counties represented by the Council
  - Explains the composition and requirements of the plan and the submission and approval process
  - Requires plan to be approved by the Director, DCS
- Provides for interaction between DCS and Juvenile Judges
  - Allows DCS to implement Informal Adjustments (IAs) for abuse or neglect cases
  - Allows probation intake officers to implement IAs for delinquency cases
  - Adds responsibility to the court for making findings of reason to disapprove an IA in CHINS cases
  - Changes the length of an extension of an IA from six months to three months
- CHINS Cases
  - Clarifies that wardship of a child in abuse or neglect cases is with DCS
  - Provides that DCS recommends services and placement
  - Allows judge to review service plan and approve/disapprove
  - If judge approves service plan – the services are paid by the Department
  - If the judge does not approve the service plan, the Department is provided seven days to review the judge's comments and resubmit a service plan
  - If the judge does not approve the resubmission, DCS may make an appeal to the Court of Appeals, who will create an expedited ruling
  - Requires judges to make specific findings and utilize specific language to assure federal Title IV-B or IV-E reimbursement (if the family meets eligibility requirements) or the state will not pay for the services
- Probation Cases
  - Includes provisions for the court to notify DCS of proposed services, programs and placement
  - Clarifies that probation recommends treatment or care, and requires that if payment comes from the DCS probation shall submit to DCS the risk assessment, needs assessment, and certain reports
  - Allows DCS reasonable time to comment on the proposed services and agree or proposes alternatives
  - Provides the judge reviews the proposed service plan and either approves or disapproves
  - If judge approves service plan – the services are paid by the Department
  - If the judge does not approve the service plan, the Department may appeal the adverse finding to the Court of Appeals, who will create an expedited ruling
  - Requires judges to make specific findings and use specific language to assure federal reimbursement
  - Maintains that probation shall supervise delinquent children
  - Requires a six-month case review when wardship is assigned to probation and requires a determination of reasonable efforts
  - Defines "secure detention" and ensures that the Department will not pay for certain placements in secure detention; or for placement, service or programs that are not approved by the Department

- Other Issues
  - Provides that DCS shall pay for tuition transfer upon approval of the Department
  - Describes “adoption assistance” and its determination by the Department
  - Defines “adoption fees” as a separate entity paid through a new trust fund
  - Eliminates provisions that prosecutors can file CHINS and that attorneys for DCS can file delinquency petitions
  - Allows only attorneys for the Department to file and represent the state in termination actions
  - Describes the county Child Protection Team, including membership and duties of the organization

## **MISCELLANEOUS CHANGES**

### **Schools**

- Permits School Corps to file Shortfall Levy Appeals for 2009 to cover 2008 General Fund Shortfalls
- Increases the minimum presumed useful life of a school bus from 10 to 12 years
- Requires School Corporations to adopt budgets on a July 1 – June 30 basis beginning in 2010
- Provides that a school doesn’t have to file an appeal to have a Referendum for an increase in its GF levy
- Deletes the expiration date in a provision that allows schools to use a portion of their Capital Projects Fund to pay for utilities and insurance
- Permits transfers from the Capital Projects Fund to another fund to replace Circuit Breaker credits
- Restructures the New Facility Appeal for schools. DOE distributes funds to schools as approved by DLGF, DLGF considers the extent to which a part of tuition support distributions already offsets a portion of the costs for opening a new facility, appropriates \$10M to DOE for both 2009 and 2010

### **Other Changes**

- Provides that a check issued by a county for a refund of the additional 2007 homestead credit is void if the check is: (1) outstanding and unpaid for 180 days after it is issued; and (2) for an amount that is not more than \$10
- Provides that LOIT & Excise Taxes are allocated to units before any levy reductions for Circuit Breakers
- Requires DCS to pay a service provider’s claims not later than 60 days after the date the Department receives the properly documented invoice
- Extends the expiration date from 2011 to 2021 for payment of earnings on PDIF balances to support local police and fire pension payments
- Provides that a referendum for issuance of debt may be held in a municipal election
- Extends the date by which a political subdivision in Howard County may apply for a Rainy Day Fund loan from December 31, 2007 to December 31, 2009
- Permits the State Auditor to withhold LOIT distributions if counties do not submit sales disclosure or other assessing data to DLGF
- Requires DLGF to adopt specifications for computer hardware and software that provide for standard formats and compatibility with respect to data transfer jointly approved by DLGF and LSA
- Requires that if DLGF uses a provider to receive or maintain assessing data, the provider must maintain the data as jointly approved by DLGF and LSA and must allow LSA unrestricted access to the data
- Requires DLGF to submit copies of bulletins and directives to LSA
- Requires PMOC to study issues related to State payment of pre-1977 police and firefighter’s pensions
- Provides that a taxpayer may appeal the assessment for Pay 2008 taxes not later than the later of 45 days after receipt of the tax statement or July 1, 2008
- Requires LSA to prepare legislation for introduction in the 2009 Session to correct affected statutes

## Phase In For Circuit Breakers - HEA 1001

Phase In gives Taxpayers early tax relief but allows Schools and Civil Units time to manage budgets and spending reductions

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Homesteads	2.0%	1.5%	1.0%
Other Residential (1)	N/A	2.5%	2.0%
Apartments	N/A	2.5%	2.0%
Agricultural Land	N/A	2.5%	2.0%
Other Real	N/A	3.5%	3.0%
Personal Property (incl AG)	N/A	3.5%	3.0%

(1) Includes Long Term Care and Assisted Living Facilities and land rented for the placement of a manufactured or mobile home

## CIRCUIT BREAKER IMPACT BY TAXING UNIT - HEA 1001

***(ASSUMES NO ADDITIONAL LOIT)***

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Counties	0.6	28.3	74.4
Townships	0.1	9.9	21.7
Cities & Towns	1.7	96.7	188.1
School Corporations	0.9	56.5	159.1
Less: Dist to K-12 to offset CB (1)	<u>N/A</u>	<u>48.8</u>	<u>70.0</u>
Adjusted Total for Schools	0.9	7.7	89.1
Libraries	0.2	11.5	24.7
Special Units	0.5	25.7	55.0
Redevelopment Commissions	<u>0.1</u>	<u>0.5</u>	<u>1.4</u>
Adjusted Total Circuit Breaker Cost	4.1	180.3	454.4

(1) State Distribution to School Corporations to partially offset projected Circuit Breaker losses estimated to be \$56.5M for 2009 and \$159.1M for 2010 (without any additional LOIT assumption)

## CIRCUIT BREAKER IMPACT BY TAXING UNIT - HEA 1001

**(ASSUMES 1% NEW LOIT ALLOCATED 50% TO HOMESTEADS AND 50% TO PTRC)**

	2008	2009	2010
Counties	0.6	16.0	37.2
Townships	0.1	7.0	12.2
Cities & Towns	1.7	65.8	116.3
School Corporations	0.9	30.5	75.4
Less: Dist to K-12 to offset CB (1)	N/A	26.2	68.0
Adjusted Total for Schools	0.9	4.3	7.4
Libraries	0.2	7.5	14.2
Special Units	0.5	16.7	33.1
Redevelopment Commissions	0.1	0.2	0.6
Adjusted Total Circuit Breaker Cost	4.1	117.5	221.0

(1) State Distribution to School Corporations to partially offset projected Circuit Breaker losses estimated to be \$30.5M for 2009 and \$75.4M for 2010 (with a LOIT assumption)

# IMPACT ON TAXES PAID BY TAXPAYER GROUPS

(ASSUMES NO ADDITIONAL LOIT)

## Estimated Tax Reduction Compared to Estimated Taxes Under Current Law

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Homesteads 1.	-30.4%	-32.9%	-36.3%
Non-Homestead Residential		-6.8%	-12.6%
Apartments		-6.5%	-14.0%
Other Real		+0.4%	+2.2%
Personal Property		<u>-10.5%</u>	<u>-4.4%</u>
Average Change		-15.6%	-17.6%

## Estimated Year Over Year Tax Change

	<u>2007 to 08</u>	<u>2008 to 09</u>	<u>2009 to 10</u>
Homesteads	-21.2%	+3.4%	+0.5%
Non-Homestead Residential	+3.7%	-4.2%	-7.1%
Apartments	+3.6%	-4.7%	-9.6%
Other Real	+3.5%	+2.8%	+0.3%
Personal Property	<u>-1.5%</u>	<u>-11.3%</u>	<u>-2.3%</u>
Average Change	-6.1	-0.8%	-1.6%

1. 30.4% reduction compared to pre-rebate tax bills, 25.6% reduction compared to post rebate tax bills for 2008

# IMPACT ON TAXES PAID BY TAXPAYER GROUPS

(ASSUMES NO ADDITIONAL LOIT)

## Estimated Tax Reduction Compared to Estimated Taxes Under Current Law

	2008	2009	2010
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Average Change		-15.6%	-17.6%

## Estimated Year Over Year Tax Change

	2007 to 08	2008 to 09	2009 to 10
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Apartments	+3.6%	-4.7%	-9.6%
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Personal Property	-1.5%	-11.3%	-2.3%
Average Change	-6.1	-0.8%	-1.6%

1. 30.4% reduction compared to pre-rebate tax bills, 25.6% reduction compared to post rebate tax bills for 2008

# STATE ASSUMPTION OF LOCAL SPENDING - HEA 1001

## 9 Levies Permanently Eliminated, Funding Responsibility Transferred to the State

	<u>2009</u>	<u>2010</u>
? State levies for Forestry and State Fair	7.7	8.0
? School General Fund (Gross Levy)	2,389.4	2,476.4
? Family and Children Fund	439.4	464.7
? Medical Assistance to Wards	21.0	21.8
? Children's Psychiatric Residential Treatment Fund	17.3	18.0
? Children with Special Health Care Needs	8.7	9.0
? Preschool Special Ed	6.0	6.0
? Hospital Care for the Indigent (HCI)	105.9	110.7
Subtotal	2,889.5	3,003.9

## New State Distributions to Schools and Municipalities

	<u>2009</u>	<u>2010</u>
? Local Police and Fire Pensions	97.2	100.9
? School Debt Service/CPF to offset Circuit Breaker loss	50.0	70.0
? County Share of Juvenile Incarceration	22.8	22.8
? Homestead Credit for 2009 and 2010	140.0	80.0
Subtotal	310.0	273.7
Grand Total	3,199.5	3,277.6
LESS: Existing Base PTRC/Homestead Credit	2,028.5	2,028.5
Excise & FIT Trf to State	214.4	220.7
Net State Pick Up	956.6	1,028.4

# Revenue and Expenses for HEA 1001

<b><u>Revenue and Resources</u></b>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2008-10</u>
Sales Tax (inc from \$.06 to \$.07 4/1/08)	620.0	946.8	984.7	2,551.5
Growth on Existing PTRC/HC in Base Budget(1)		81.1	84.4	165.5
Wagering Tax on slots		72.5	96.6	169.1
Trf auto excise and FIT to State		214.4	220.7	435.1
LOIT (assumes .5% or actual per HEA 1478)		635.7	655.2	1,290.9
Eliminate Existing PTRC/HC		2,028.5	2,028.5	4,057.0
PDIF Interest		10.0	10.0	20.0
Total Revenue & Resources	620.0	3,989.0	4,080.0	8,689.1
<b><u>Expenses</u></b>				
Additional 2008 Homestead Credit (2)	620.0			620.0
New Homestead Credit for 2009 and 2010		140.0	80.0	220.0
Addtl Locally Paid Property Tax Relief from LOIT		635.7	655.2	1,290.9
Eliminate Levy for Remaining School GF		2,389.4	2,476.4	4,865.8
Eliminate 4 Child Welfare Levies		486.4	513.5	999.9
Eliminate State Levies		7.7	8.0	15.7
Eliminate HCI Levies (incl. \$40M for Marion Co. HHC)		105.9	110.7	216.6
Eliminate Preschool Special Ed Levy		6.0	6.0	12.0
Pick up of Local Police and Fire Debt		97.2	100.9	198.1
Pick up County Share of Juv Incarceration		22.8	22.8	45.6
Distribution to K-12 to offset CB cost (3)		48.8	70.0	118.8
Renter's Credit (\$2,500 to \$3,000)		10.4	10.4	20.8
Deposit to K-12 Tuition Reserve Fund (4)		25.0	25.0	50.0
Total Increased Cost	620.0	3,975.3	4,078.9	8,674.2
Excess Revenue/(Shortfall)	0.0	13.7	1.1	14.9

(1) \$2,208M Base increased by 4% each year

(2) \$620M in addition to existing \$250M for 2008, distributed to counties for both May and November Tax bills

(3) Up to \$50M for 2009 and \$70M in 2010 distributed to schools to help offset Circuit Breaker losses

(4) Deposit of \$50M by 2010 plus \$316.6M from Tuition Reserve plus earnings yields a Tuition Reserve Fund balance of about \$400M in 2010

**Estimated Impact on Net Property Tax**

**HB 1001 - CC08 UPDATE**

2008 Only: Additional \$620 M in Homestead Credits (In Addition to Additional \$250 M Under Current Law)

2009+: Eliminate Levies For State Fair & Forestry, School General Fund, Pre-School Special Ed, Pre-1977 Public Safety Pensions,  
Fam & Child, Children's Psych. Res. Trtmnt, Med Asst to Wards, Children with Spec. Health Care Needs, HCI, and Juvenile Incarceration

2009+: Eliminate State Property Tax Replacement and Existing Homestead Credits; Replace With Homestead Credit = \$140 M in 2009, \$80 M in 2010

2009+: Assumes LOIT Replacement Credits Only For Counties That Have Already Adopted For 2008

2009+: Standard Deduction = \$45,000 up to 60% of AV; Supplemental Deduction Based on Homestead AV Remaining After Standard Deduction: 35% of 1st \$600,000 Net AV and 25% of Net AV that Exceeds \$600,000

2009: Circ Break: 1.5% For Hmstds, 2.5% For Res Rentals, Apartments, Ag Land, Mobile Home Land, and LT Care Fac, and 3.5% For All Other Real and Pers Prop; Senior Incr Limited to 2% /Yr; Lake and St. Joseph Debt Exclusion

2010: Circ Break: 1.0% For Hmstds, 2.0% For Res Rentals, Apartments, Ag Land, Mobile Home Land, and LT Care Fac, and 3.0% For All Other Real and Pers Prop; Senior Incr Limited to 2% /Yr; Lake and St. Joseph Debt Exclusion

**2008 Property Tax ESTIMATES**

Property Type	Net Tax Current	Additional Homestead Credit	Net Tax After Addtl HSC	Change
Homesteads	2,389,460,805	620,000,000	1,777,982,022	-25.6%

**2009 Property Tax ESTIMATES**

**2010 Property Tax ESTIMATES**

Property Type	2009 Property Tax ESTIMATES				2010 Property Tax ESTIMATES									
	Net Tax Current (After CircBrkr)	Net Tax After New Plan & Curr LOIT	Change	Circuit Breaker Cost	Net Tax After Circuit Breaker	Total Change	Total Change	Net Tax Current (After CircBrkr)	Net Tax After New Plan & Curr LOIT	Change	Circuit Breaker Cost	Net Tax After Circuit Breaker	Total Change	Total Change
Homesteads	2,830,141,913	1,917,851,066	-32.2%	19,527,557	1,898,323,509	-931,818,404	-32.9%	3,054,294,558	2,086,764,035	-31.7%	142,523,391	1,944,240,644	-1,110,053,914	-36.3%
Non-HS Residential	1,045,964,078	1,074,519,718	2.7%	99,875,872	974,643,846	-71,320,232	-6.8%	1,053,757,003	1,117,587,498	6.1%	196,169,937	921,417,561	-132,339,442	-12.6%
Apartments	290,715,522	301,362,624	3.7%	29,512,408	271,850,216	-18,865,306	-6.5%	291,160,785	312,324,841	7.3%	61,916,953	250,407,888	-40,752,897	-14.0%
Other Real	2,009,530,586	2,069,278,784	3.0%	50,853,069	2,018,425,715	8,895,129	0.4%	2,016,668,692	2,146,955,281	6.5%	86,107,258	2,060,848,023	44,179,331	2.2%
Personal Property	925,126,399	856,906,820	-7.4%	29,370,541	827,536,279	-97,590,120	-10.5%	845,940,455	846,121,713	0.0%	37,599,114	808,522,599	-37,417,856	-4.4%
<b>Total</b>	<b>7,101,478,498</b>	<b>6,219,919,011</b>	<b>-12.4%</b>	<b>229,139,447</b>	<b>5,990,779,565</b>	<b>-1,110,698,933</b>	<b>-15.6%</b>	<b>7,261,821,494</b>	<b>6,509,753,368</b>	<b>-10.4%</b>	<b>524,316,653</b>	<b>5,985,436,715</b>	<b>-1,276,384,779</b>	<b>-17.6%</b>

**Year-Over-Year Change**

Property Type	\$300 M HS Rebate* Effect on 2007 Net Tax Base HEA 1001 (2007)	New Plan [And HEA 1001 (2007) in 2008]			2008 Net Tax** Compared to Pre-Rebate 2007 Bills #
		2007* to 2008**	2008 to 2009	2009 to 2010	
Homesteads	-11.7%	-21.2%	3.4%	0.5%	-30.4%
Non-HS Residential		3.7%	-4.2%	-7.1%	
Apartments		3.6%	-4.7%	-9.6%	
Other Real		3.5%	2.8%	0.3%	
Personal Property		-1.5%	-11.3%	-2.3%	
<b>Total</b>		<b>-6.1%</b>	<b>-0.8%</b>	<b>-1.6%</b>	

\* The \$300 M homestead rebate passed in HEA 1001 (2007) will reduce the final net tax bills for 2007 by that amount. The 2007 to 2008 comparison of net tax is based on the net tax amount for 2007 after rebates.

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# This column illustrates the overall change from the pre-rebate 2007 bills to 2008.

**Estimated Impact on Net Property Tax  
HB 1001 - CC08 UPDATE Illustrated With LOIT**

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2009+: Eliminate State Property Tax Replacement and Existing Homestead Credits; Replace With Homestead Credit = \$140 M in 2009, \$80 M in 2010

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Homesteads	2,830,141,913	1,285,084,440	-54.6%	5,236,775	1,279,847,665	-1,550,294,248	-54.8%	3,054,294,558	1,463,251,811	-52.1%	24,109,982	1,439,141,830	-1,615,152,729	-52.9%
Non-HS Residential	1,045,964,078	963,618,167	-7.9%	59,891,147	903,727,019	-142,237,059	-13.6%	1,053,757,003	1,006,916,579	-4.4%	136,215,873	870,700,706	-183,056,298	-17.4%
Apartments	290,715,522	271,117,506	-6.7%	17,437,267	253,680,240	-37,035,282	-12.7%	291,160,785	282,302,724	-3.0%	41,694,080	240,608,643	-50,552,142	-17.4%
Other Real	2,009,530,586	1,862,161,739	-7.3%	36,833,632	1,825,328,107	-184,202,479	-9.2%	2,016,668,692	1,940,719,703	-3.8%	56,478,295	1,884,241,408	-132,427,284	-6.6%
Personal Property	925,126,399	773,188,710	-16.4%	24,413,658	748,775,052	-176,351,347	-19.1%	845,940,455	765,605,914	-9.5%	30,485,933	735,119,981	-110,820,474	-13.1%
	<b>7,101,478,498</b>	<b>5,155,170,561</b>	<b>-27.4%</b>	<b>143,812,479</b>	<b>5,011,358,082</b>	<b>-2,090,120,416</b>	<b>-29.4%</b>	<b>7,261,821,494</b>	<b>5,458,796,731</b>	<b>-24.8%</b>	<b>288,984,163</b>	<b>5,169,812,568</b>	<b>-2,092,008,926</b>	<b>-28.8%</b>

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		2007* to 2008**	2008 to 2009	2009 to 2010	
		Homesteads	-11.7%	-21.2%	
Non-HS Residential		3.7%	-11.5%	-5.5%	
Apartments		3.6%	-11.4%	-7.2%	
Other Real		3.5%	-7.4%	1.2%	
Personal Property		-1.5%	-19.8%	-1.8%	
<b>Total</b>		<b>-6.1%</b>	<b>-17.5%</b>	<b>1.2%</b>	

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