

Indiana

Department of Local Government Finance



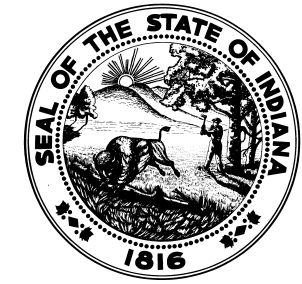
Committed to a fair and equitable property tax system for Hoosier taxpayers.

Indiana Association of Regional Councils

Annual Conference

Welcome to Indianapolis

November 8th & 9th



AGENDA

- ✓ Budgeting 101
 - A. Concepts & Definitions
 - B. Calendar & Deadlines
- ✓ 2019 Legislative Priorities





Purpose of Budgeting

- Financial plan
- Identifies costs necessary to provide essential services
- Identifies the resources available to fund those services
- Important management & accountability tool
- Allocation of resources to accomplish objectives
- Establishes policy
- Translates community goals and priorities into programs



Purpose of Budgeting (cont'd.)

- Transparency
- Indiana Gateway provides public access to how taxes and other public dollars are budgeted and spent by local government
- Spending Plan (Authorized Appropriations)
- Factor in Determining Property Tax Rates & Levies
- Certification of Spending Plan
- It's Required by Law



Concepts and Definitions

- Maximum Levy
 - The maximum amount of property tax dollars that may be raised (levied) in any budget year, as certified by the DLGF
- AVGQ - Growth in levy based on an annual statewide growth factor (derived from a 6-year average of non-farm personal income)
 - 2017 – 3.8%
 - 2018 – 4.0%
 - 2019 – 3.4%
 - 2020 – 3.3 (?)





Concepts and Definitions

- Maximum Levy Limitation (Cont'd)
 - Annual growth not affected by changes in:
 - Population
 - Property Values
 - Local Expenditures (Appropriations)
- ❖ **Budgeted appropriations do not determine the maximum levy limitation**



Concepts and Definitions



- **Net Assessed Value (“NAV”)**
 - “Value-in-use” (true market value) assessment of real and personal property less deductions and abatements
- **Property Tax**
 - Property tax rate is applied to each \$100 of assessed value to generate property tax revenue
 - Certified tax levy may be reduced by Circuit Breaker Credits
 - Taxes due each May and November
 - County Auditors distribute property tax to taxing units in June and December
- **Circuit Breaker Credits**
 - Limit the total property tax bill to a percentage of the gross assessed value of the taxpayer’s property



Illustration – Controlled and Non-Controlled Levies

CONTROLLED

Max Levy - \$1,000,000

- General - \$600,000
- MVH - \$200,000
- Park - \$100,000
- Cum. Fire - \$100,000

OTHER

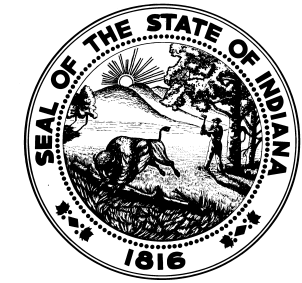
In Addition to the Max Levy

- CCD - \$200,000
- Debt Service - \$300,000



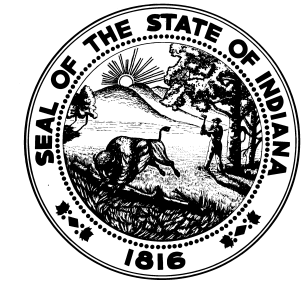
Budget Deadlines

Deadline	Action Item
April 30	Submit Pre-Budget Worksheet in Gateway
April 30	Submit Proposed Cumulative Fund to DLGF
October 12	Post Notice to Taxpayers (Budget Form 3) on Gateway
October 19	File Excess Levy Appeal with DLGF (except Shortfall Appeal)
October 22	Public Hearing on the 2019 Budget
November 1	Adoption of the 2019 Budget
November 5	Submit 2019 Budget through Gateway (or no later than 3 days after adoption)
December 14	Last day for DLGF to Accept Additional Appropriations
December 31	File Shortfall Excess Levy Appeal with DLGF
December 31	Deadline for DLGF to Certify 2019 Budgets



Resources for Budget Prep

Document	Source
Annual Financial Report (2017)	State Board of Accounts website
1782 Notice (2018)	DLGF Field Representative
Budget Order (2018)	DLGF website
Line-Item Budgets (Form 1's)	Indiana Gateway
2019 Certified Local Income Tax Report	DLGF website (Oct)
2019 Calculation of Estimated Maximum Levy	DLGF website (mid-July)
Estimated Misc. Revenues (2019)	DLGF website (end of July)
Auditor of State Revenue Estimates	Email from Auditor of State (June)
Impact of Property Tax Caps, 2018 (Circuit Breakers)	DLGF website (April)



Budget Development

Step	Action Item	Resources
Step 1	Estimate revenues	Historical data (Annual Reports), DLGF Reports
Step 2	Prepare Spending Plans	Historical spending and line item budgets
Step 3	Develop cash reserve targets for each fund	Recommended minimum = not less than 15% of operating disbursements
Step 4	Identify options to meet budgetary goals	Increase revenue, reduce expenses



2019 Legislative Initiatives

HB1004 (2018 Session)

Residential Property Inside TIF Districts

GIS Coordinator

Form-22 Data Submission

Budget Rulemaking Authority

Homestead Database Updates

Revised Budget Public Notice – Form 3 & 4



2019 Legislative Initiatives

HB1004 (2018 Session)

Political Subdivision Budget Submission

Real Property Assessment Rule

Application of Deductions & Exemptions

Tax Adjustment Board Language



2019 Legislative Initiatives

HB???? (2019 Session)

Budget for Known Debt Payments

County Authority to Cancel Taxes

County Assessment & Software Contracts

LIT Ordinance Pre-Review

Levy Increases – 16(L) process

Shortfall Appeals



Contact Information

Wesley R. Bennett

Commissioner

Department of Local Government Finance

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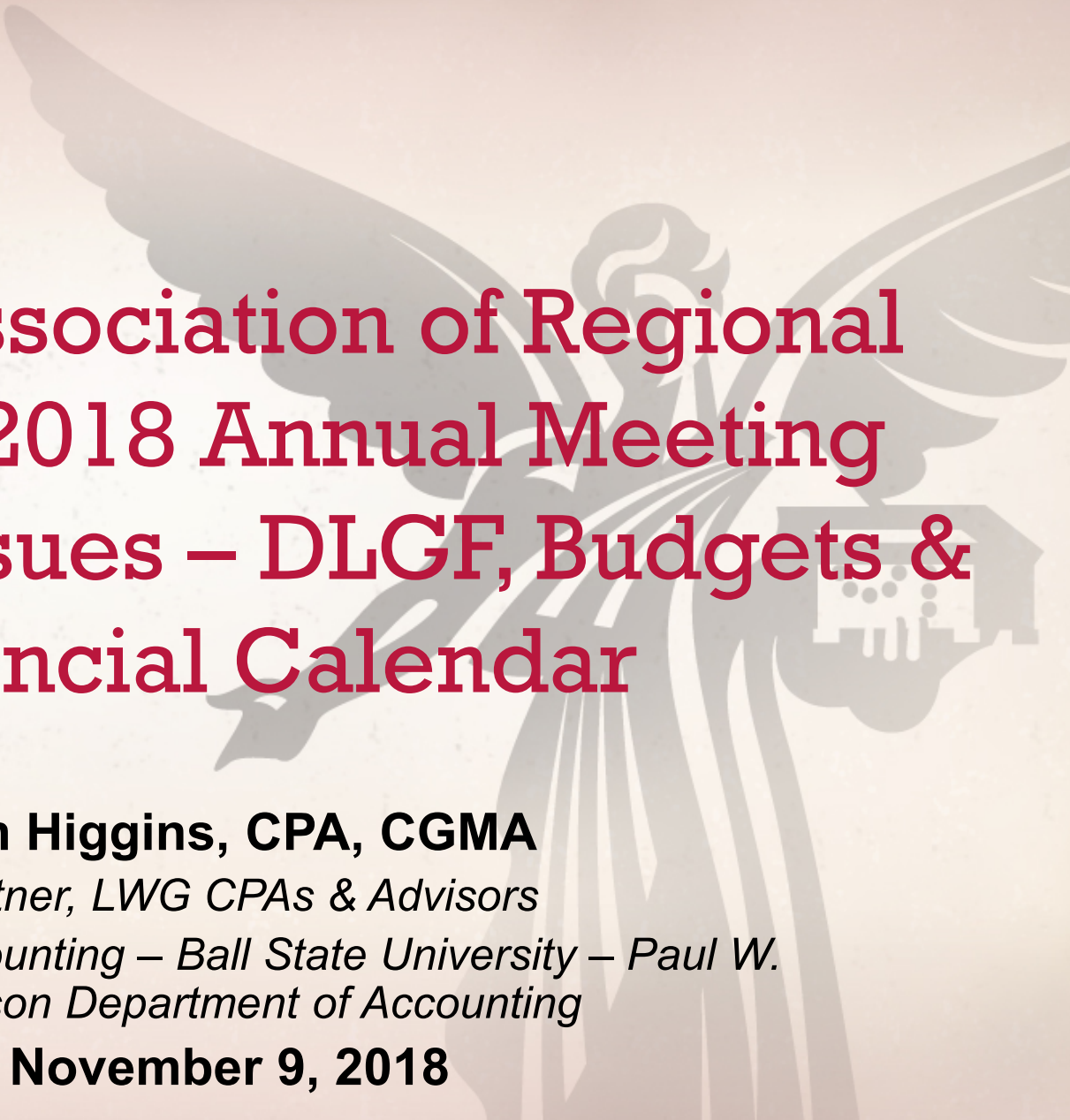
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Indiana Association of Regional Councils 2018 Annual Meeting Financial Issues – DLGF, Budgets & Financial Calendar

Jim Higgins, CPA, CGMA

Partner, LWG CPAs & Advisors

*Lecturer of Accounting – Ball State University – Paul W.
Parkison Department of Accounting*

November 9, 2018

Finance 1 - Overview

- Property Taxes
- Property Tax Funds
- Property Assessments
 - Real Property
 - Business Personal Property
- Tax Rates and Levies
 - Levy Controlled Funds
 - Rate Controlled Funds
- Property Tax Caps
- Local Income Taxes
- Certifications and Distributions
- Maximum Levy Limitations
- Local Budgeting Overview
- Tax Abatement
- Tax Increment Financing (TIF)

Property Taxes

Timeline:

Jan 1 (prior year)	Property Assessment
Jul (prior year)	NAV's Certified
Aug-Nov (prior yr.)	Local Budgets
Dec 31*	DLGF Certifies Budgets
Mar-April	Tax Bills Prepared
May/Nov 10	Tax Bills Due
Jun 30/Dec 31	Settlement Made

* - Deadline extended to Jan 15 of tax supported debt is issued within the County

Local Budgeting Process

July	Cash & appropriation balance
July/Aug	Est. next year's expenditures
	Est. of desired working cash balance
	Est. of miscellaneous revenues
	Est. of Circuit Breaker Credits
	Obtain Certified NAV
Sept	Post Budget Meeting Notices
Sept/Oct	Public Hearing (10 days notice)
	Adoption (10 days post hearing)
	Post Final Budget (within 48 hours)
Nov 1	Final Day to Adopt Budget

Assessment Example

	Homestead	Homestead	Homestead	Farm Land (Per Acre) (1)	Business Real Property	Business Personal Property
<u>Calculation of Net Assessed Value</u>						
Gross Assessed Value (GAV)	\$75,000	\$100,000	\$150,000	\$1,610	\$100,000	\$100,000
Standard Deduction (2)	(45,000)	(45,000)	(45,000)	0	0	0
Depreciation (1 st year)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(60,000)</u>
Adjusted GAV	30,000	55,000	105,000	1,610	100,000	40,000
Supplemental Homestead Deduction (3)	(10,500)	(19,250)	(36,750)	0	0	0
Mortgage Deduction	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assessed Value (NAV)	<u>\$16,500</u>	<u>\$32,750</u>	<u>\$65,250</u>	<u>\$1,610</u>	<u>\$100,000</u>	<u>\$40,000</u>

(1) Per the Department of Local Government Finance's Certification of Agricultural Land Base Rate Value of Assessment Year 2018.(Prior year \$1,850)

(2) Lesser of 60% of the GAV or \$45,000 (See Indiana Code 6-1.1-12-37).

(3) 35% of the adjusted GAV that is not more than \$600,000 and 25% of the adjusted GAV that is more than \$600,000 (See Indiana Code 6-1.1-12-37.5).

Maximum Levy Limitations

- Two Types of Property Tax Levy Controls
 - Levy Controlled (most funds)
 - » Inverse relationship between NAV and Tax Rate
 - Rate Controlled (cumulative/capital funds)
 - » Direct relationship between NAV and Tax Rate
- Maximum Levy Limitation affects only the levy controlled funds

Maximum Levy Limitations

- Levy Controlled funds have an Annual Growth Factor or Quotient
 - Based on a six (6) year rolling average of statewide non-farm personal income
 - Meant to level out varied sudden and temporary changes in income levels
- Statewide Growth Factors:
 - 2014 2.6%
 - 2015 2.7%
 - 2016 2.6%
 - 2017 3.8%
 - 2018 4.0%
 - 2019 3.4%

Local Budgets - Appropriations

A valid expenditure may be made only if the entity has both the:

- Appropriation, **and**
- Available cash

Finance 2 - Overview

- Building on concepts of Finance 1
- February/March 2019
- Case Study - Site Selection Request
 - Provide specific local area facts
 - Assistance Request - Retention/Expansion of Existing Plant
 - Small group study of potential alternatives
 - How to achieve a cooperative coordinated response

Questions & Answers

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