



Indiana Association of  
Cities and Towns

# HB 1001 Talking Points & Suggested Amendments

## Levy and Spending Limits

HB 1001 currently sets levy and spending limits based on a six-year county-wide average of personal income. This is very problematic as it will create winning and losing counties. There will be no growth opportunities for those counties that are not permitted room to grow. For a city or town that is growing faster than surrounding, slower-growing communities, its growth potential will be held back. In addition, a six-year average is too long, for it does not permit a timely reaction to an economic downturn or upturn.

### Suggested Amendment:

- Spending and growth limits should apply to property tax revenues only, not other types of revenues.
- The growth formula should be the greater of a three-year rolling average of state personal income or the Municipal Cost Index produced by American City and County.

## Circuit Breaker

As the Legislative Services Agency's data shows, the Circuit Breaker measure will have a great impact on property tax revenues currently received by city and towns. Cities and towns have already been faced with economic hardship in recent years and have had to adjust their budgets to be as lean as possible. With the proposed Circuit Breaker, many cities and towns will be forced to *immediately* cut personnel and basic services unless there is an alternate form of revenue to make up for revenue shortfalls.

### Suggested Amendment:

- If a city or town suffers a loss of property tax revenue or TIF revenue from the Circuit Breaker, then a "replacement" county tax rate would automatically be imposed.
- Each county should be allowed to determine the nature of the replacement tax – income, sales, payroll or a combination of the three, which would be determined by the County Council or County Income Tax Council.
- The County Council or the County Income Tax Council could reduce or rescind the tax -- this would be a local decision.

## Control Boards

To keep representative government in place and to permit the elected officials the authority to do the job they were elected to do; local county control boards should not have oversight responsibility for operating budgets, but rather **ONLY** oversight for capital projects.

### Suggested Amendment:

- Delete the provision in the bill which requires the County Council to review all budgets, tax levies and tax rates of political subdivisions in a county. Keep the current County Board of Tax and Capital Projects Review (which allows municipal participation) to oversee only capital projects. \*

## Public Safety Local Option Income Tax (LOIT)

Because it is critical for cities and towns to provide police and fire services to its taxpayers, last year, HB 1478 contained a provision allowing the locals to adopt a public safety LOIT in combination with the adoption of other local taxes. HB 1001 removes the public safety LOIT. The public safety LOIT provides funds for cities and towns to provide these very basic services that taxpayers expect.

### Suggested Amendment:

- Maintain the ability for local governments to levy a public safety LOIT.

## State Intercept

HB 1001 currently requires that all debt service be paid first and if debt is not paid, the state treasurer will intercept funds to pay locals' debt service obligations. We agree that debt service be paid first, but that the state intercept of funds should be limited.

### Suggested Amendment:

- Limit state intercept of funds for unpaid debt service to income and sales taxes only.

\* The Association of Indiana Counties advocates the County Council's oversight of capital projects versus the County Board of Tax and Capital Projects Review.