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aim Accelerate Indiana Municipalities

PROPERTY TAX TALKING POINTS

PREMISE

There have been multiple proposals to cut the residential and personal property bills for homeowners and businesses and drastically change how these tax liabilities are calculated. These measures would cause devastation in terms of the ability of cities and towns to fund basic services. Just one of these measures will have a negative fiscal impact on Hoosier municipalities near $2 Billion. While it is very early in the legislative session, the proposed legislation represents some of the most debilitating bills for local government introduced in decades.

We have prepared summaries of the highest profile bills, including SB 1, SB 9, SB 443, and HB 1402. Please view these summaries to understand the included provisions that significantly impact municipalities and see Aim's comments relative to each of these provisions. Below are holistic messaging points to communicate in your conversations with lawmakers.

CONCERNS

Service Cuts

- Cuts to real and business personal property impact municipal general funds the hardest. General fund expenditures include public safety, fire, emergency medical services, jail operations, parks, street maintenance, snow removal, and more.
- Already there is strong data suggesting that our roads, despite the intense investment of Community Crossings, are still in desperate need of improvement. These noticeable inadequacies need real attention and real funding – not less than current levels.
- Service cuts are inevitable, even with expansion of income tax capacity. In reality, any local revenue adoption "option" under these plans should be considered a mandate.

Economic Development and Quality of Place

- Full replacement by a state implemented revenue source is a must. In recent years, measurable data has come online to support the importance of investing in our communities through economic development focused on building quality of place. This is not a time to retreat and risk losing ground to our Midwest competitors.
- While a local income tax can be helpful in certain communities, elimination figures currently up for consideration would leave little to no room for future capacity to fund major economic development, road enhancements, sewer expansions, etc. and instead would have to be used to meet existing needs.
- The impact of these proposals on economic development and talent attraction would be devastating. With so much stress on the general fund due to revenue loss and priority given to paying existing debt obligations, bonding or saving for new projects will be nearly impossible.
- Indiana is a great state for new business investment with a low tax climate by just about every indicator. Jeopardizing basic required and expected services is contrary to any efforts to continue growing our reputation as business-friendly talent attractors.

Tax Shifts and Disparities

- The tax proposals under consideration that lower or eliminate business personal property taxes offer tax breaks for corporations with the suggestion that this state-imposed revenue loss could be made up by asking individuals to carry the burden via new local income taxes instead.
- To the extent funds from new local option income taxes are considered a replacement source by lawmakers, given the compounded lost revenue of the bills in play, high income homeowners will fare better while non-homeowners and lower-income homeowners who might have a low property tax bill today will have to carry a higher tax burden from new income taxes.
- It is unclear what policy recommendations the legislature has for the revenue loss schools will experience. While Governor Braun announced that he will seek a 2% budget increase for schools in each of the next two years, it is unlikely these new dollars will cover the expected losses.