



2025 SENATE ENROLLED ACT 1: DEBT SERVICE AND CONTROLLED PROJECTS

Senate Enrolled Act (SEA) 1 brings sweeping changes to Indiana's property tax and local government finance systems. The legislation significantly alters how deductions and credits are applied, reshapes Local Income Tax (LIT) distributions, and places new limitations on the use of debt service levies. Aim is developing resources to help local officials navigate these changes, with focused guidance on deductions, credits, LIT, and debt service.

DEBT AND EXCESS LEVY APPEALS

- If a unit issues a general obligation bond with under 2 years in duration, they must wait at least 1 year after its expiration before issuing new short-term debt (any bond obligation under 5 years).
- Provides that all municipal property tax debt-backed projects are controlled projects if the total debt service rate for the unit exceeds:
 - 0.25% - this triggers the controlled projects petition and remonstrance process for all new property tax-backed debt projects. This means that citizens can petition to block the project if they get enough signatures.
 - 0.4% - this triggers the referendum requirement for all new property tax-backed debt projects. This means that the project can only go forward if it passes at referendum, but the tax rate will be outside the property tax caps.

REFERENDUM

- Moves local referenda to even numbered years in line with the general election.
- Changes the referendum language to specify both the proposed rate and the proposed amount of money to be raised for a specific purpose.