

Indiana Township Association, Inc.

2009 Educational Conference

September 22, 2009

What to do when the money runs out

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What to do when the money runs out

In the face of the property tax rate caps under the 2008 HB 1001 tax reform, how can you be sure your Township will have enough cash to get through the year?

This session will explain the impact of the legislation on Township government and also show you how to identify potential shortfalls, find alternate revenue streams and savings opportunities, and continue to provide your Township with the services it needs.

The Circuit Breaker

- Each unit of government in the county (schools, cities, townships, etc.) adopts a budget and calculates a tax rate based upon their projected spending.
- Counties will then determine the Circuit Breaker cap for *each property* using property values annually adjusted by local assessing officials to reflect current market conditions.

The Circuit Breaker

Property Class	2009	2010 and after
Homestead	1.5% cap	1.0% cap
Other residential & rental property	2.5% cap	2.0% cap
Agricultural land	2.5% cap	2.0% cap
Long term care property	3.5% cap	3.0% cap
Nonresidential real property	3.5% cap	3.0% cap
Personal property	3.5% cap	3.0% cap

Source: Department of Local Government Finance, *Circuit Breaker Fact Sheet*, April 2008.

The Circuit Breaker

- If the total tax liability for the property exceeds the Circuit Breaker cap for that property type, the county auditor will provide a tax credit for the amount that exceeds the cap.
- For example, in 2010, if a homestead property with a gross assessed value \$100,000 has a total tax bill of \$1,500; the county auditor would give the property owner a \$500 credit to reduce the tax bill to \$1,000. In this example, the credit reduces the tax liability for the property to the one percent (1%) cap of \$1,000.

Hypothetical Homestead Property Tax Bill

Pay Year	<u>2009</u>	<u>2010</u>
Gross value of homestead	\$100,000	\$100,000
Value not subject to homestead credit	0	0
Total value of parcel	<u>100,000</u>	<u>100,000</u>
Standard (homestead) deduction	<u>(45,000)</u>	<u>(45,000)</u>
	55,000	55,000
35% homestead supplemental deduction	(19,250)	(19,250)
Mortgage deduction	<u>(3,000)</u>	<u>(3,000)</u>
Net assessed value	32,750	32,750
Rate per \$100	<u>4.5790</u>	<u>4.5790</u>
Gross tax	<u>1,500</u>	<u>1,500</u>
Circuit breaker credit	<u>0</u>	<u>(500)</u>
Net Tax	<u><u>\$1,500</u></u>	<u><u>\$1,000</u></u>

Impact of Circuit Breaker Credit

- The \$500 credit to the hypothetical homestead reduces the taxpayer liability.
- Your Township's budget and rate and levy will remain the same.
- However, the County will allocate the credit among all units in proportion of that unit's levy to the total levy of all units in that taxpayer's taxing district.

Impact of Circuit Breaker Credit

- While your Township's budget and rate and levy will remain the same, the amount of property taxes you receive from the County will be reduced, leaving a portion of your budget unfunded.
- The credit would be allocated among your funds in proportion to the levy for each fund.

The Circuit Breaker: Allocation among funds

	Approved <u>Levy</u>	Percentage of <u>Total Levy</u>	Circuit Breaker <u>Credit</u>
Township Fund	17,250.00	3.10%	93.13
Township Assistance Fund	5,850.00	1.05%	31.58
Fire Fighting Fund	527,560.00	94.94%	2,848.29
Fire Building Debt Fund	5,000.00	0.90%	26.99
	555,660.00	100.00%	3,000.00

The Circuit Breaker Impact: Debt Service Fund

Fire Building Debt Fund

Approved levy	5,000.00
Miscellaneous revenue	100.00
Circuit breaker credit	(26.99)
Total revenues	<u>5,073.01</u>
Appropriations	<u>5,100.00</u>
Shortfall	<u><u>26.99</u></u>

Solution: Appropriate and transfer \$26.99 from another fund.

The Circuit Breaker Impact: Fire Operating Fund

Reductions of spending Fire Fund

Circuit breaker credit	2,848.29
Debt service transfer	26.99
Total reductions	<u>2,875.28</u>

WARNING!!

- Do NOT cut your budget and levy in anticipation of the circuit breaker credits.
- Your township would still receive less property tax revenue in proportion to its (lower) share of the credit.

Coping with the Circuit Breaker

- Step 1: estimate the impact on your unit. The Legislative Services Agency made estimates for each local unit, including yours. These were used by Representatives and Senators when they voted on the bill (House Bill 1001) which passed and was signed by the Governor.
http://www.in.gov/legislative/pdf/CircuitBreaker_CurrentLaw_20090323.pdf

Coping with the Circuit Breaker

Estimated Circuit Breaker Credits 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. Trmnt, Med Asst to Wards, Children with Spec. Health Care Needs, and HCI

2009+: Eliminate State Property Tax Replacement and Existing Homestead Credits; New Homestead Credit = \$140 M in 2009, \$80 M in 2010, \$0 in 2011

2009+: Standard Deduction = \$45,000 up to 60% of AV

2009+: Supplemental Deduction Based on Homestead AV Remaining After Standard Deduction: 35% of 1st \$800,000 Net AV Plus 25% of Net AV that Exceeds \$600,000

2009 Caps: Homesteads = 1.5%; [Apartments, Other Res, Ag Land, Mobile Home Land, and Long Term Care Facilities] = 2.5%; All Other Real and Pers Prop = 3.5%; Lake and St. Joseph Existing Debt Exclusion

2010 Caps: Homesteads = 1.0%; [Apartments, Other Res, Ag Land, Mobile Home Land, and Long Term Care Facilities] = 2.0%; All Other Real and Pers Prop = 3.0%; Lake and St. Joseph Existing Debt Exclusion

2009+: Qualified Senior Homestead Net Tax Increases Limited to 2% Per Year

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

* Estimated Budget Appropriations Only Include Funds With Property Tax Levies and are Allocated Between Counties Based on Levy For Cross-County Units.

County	Unit Name	Current Law Estimated Credits			Estimated School Levy Replacement Grant		Estimated Net Credit			Net Credit as % of Est. Levy			Net Credit as % of Est. Budget*		
		2009	2010	2011	2009	2010	2009	2010	2011	2009	2010	2011	2009	2010	2011
Marion	Decatur Township	260,370	682,703	693,260	0	0	260,370	682,703	693,260	3.8%	9.9%	10.1%	2.1%	5.0%	4.6%
Marion	Franklin Township	212,625	1,068,851	1,087,429	0	0	212,625	1,068,851	1,087,429	2.4%	11.9%	12.0%	1.2%	5.4%	5.0%
Marion	Lawrence Township	647	137,427	182,847	0	0	647	137,427	182,847	0.0%	1.4%	1.9%	0.0%	0.6%	0.7%
Marion	Perry Township	1,082	130,636	72,333	0	0	1,082	130,636	72,333	0.0%	1.4%	0.7%	0.0%	0.6%	0.3%
Marion	Pike Township	0	71,023	105,759	0	0	0	71,023	105,759	0.0%	0.5%	0.7%	0.0%	0.4%	0.5%
Marion	Warren Township	62,395	502,951	511,284	0	0	62,395	502,951	511,284	0.6%	4.9%	5.0%	0.4%	2.8%	2.7%
Marion	Washington Township	1,641	16,494	17,306	0	0	1,641	16,494	17,306	0.4%	3.9%	4.1%	0.1%	1.1%	1.1%
Marion	Wayne Township	513,769	1,616,626	1,614,575	0	0	513,769	1,616,626	1,614,575	2.6%	8.2%	8.2%	1.5%	4.2%	3.8%
Marion	Lawrence Civil City	0	348,185	289,879	0	0	0	348,185	289,879	0.0%	3.4%	2.9%	0.0%	1.4%	1.1%
Marion	Beech Grove Civil City	346,093	768,699	697,851	0	0	346,093	768,699	697,851	6.4%	14.3%	13.0%	3.7%	7.8%	6.8%
Marion	Southport Civil City	1	866	949	0	0	1	866	949	0.0%	0.5%	0.5%	0.0%	0.2%	0.2%
Marion	Speedway City Civil Town	0	4,756	11,663	0	0	0	4,756	11,663	0.0%	0.1%	0.2%	0.0%	0.0%	0.1%
Marion	Clermont Civil Town	10,713	43,403	48,003	0	0	10,713	43,403	48,003	2.2%	9.1%	10.0%	1.3%	4.6%	4.6%
Marion	Cumberland Civil Town	44,374	86,205	80,938	0	0	44,374	86,205	80,938	5.7%	11.0%	10.3%	1.1%	2.1%	1.8%
Marion	Homecroft Civil Town	0	1,257	1,046	0	0	0	1,257	1,046	0.0%	1.5%	1.3%	0.0%	0.7%	0.6%
Marion	Meridian Hills Civil Town	0	284	544	0	0	0	284	544	0.0%	0.2%	0.3%	0.0%	0.1%	0.1%
Marion	Rocky Ripple Civil Town	0	64	147	0	0	0	64	147	0.0%	0.2%	0.6%	0.0%	0.1%	0.3%
Marion	Warren Park Civil Town	98	671	628	0	0	98	671	628	1.8%	12.2%	11.4%	0.6%	4.1%	3.8%
Marion	Williams Creek Civil Town	0	223	490	0	0	0	223	490	0.0%	0.3%	0.7%	0.0%	0.2%	0.5%
Marion	Wynnedale Civil Town	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Marion	Spring Hill Civil Town	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Marion	M.S.D. Decatur Township School Corporati	549,233	1,451,229	1,484,743	549,233	1,043,270	0	407,959	1,484,743	0.0%	2.8%	9.9%	0.0%	1.5%	4.9%
Marion	Franklin Township Community School Corpo	607,282	3,094,974	2,932,311	607,282	2,224,936	0	870,038	3,173,349	0.0%	3.3%	11.9%	0.0%	1.9%	6.4%
Marion	M.S.D. Lawrence Township School Corporat	0	886,654	974,548	0	0	0	886,654	974,548	0.0%	2.0%	2.1%	0.0%	1.5%	1.6%
Marion	M.S.D. Perry Township School Corporation	14,823	588,616	378,817	0	0	14,823	588,616	378,817	0.0%	1.7%	1.1%	0.0%	1.0%	0.6%
Marion	M.S.D. Pike Township School Corporation	331	262,544	366,955	0	0	331	262,544	366,955	0.0%	0.6%	0.8%	0.0%	0.5%	0.7%
Marion	M.S.D. Warren Township School Corporatio	286,179	1,956,426	1,956,426	0	1,378,841	286,179	539,181	1,956,426	0.8%	1.4%	5.1%	0.7%	1.2%	4.2%
Marion	M.S.D. Washington Township School Corpor	14	25,492	23,492	0	0	14	9,937	23,492	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Marion	M.S.D. Wayne Township School Corporation	1,023,900	3,263,213	3,263,213	1,023,900	2,324,337	0	908,907	3,263,213	0.0%	2.3%	8.2%	0.0%	1.3%	4.3%
Marion	Beech Grove City School Corporation	400,371	801,079	801,079	400,371	630,327	0	246,482	801,079	0.0%	4.0%	12.8%	0.0%	2.9%	8.7%
Marion	Indianapolis Public School Corporation	2,104,381	11,621,097	11,421,097	0	8,356,174	2,104,381	3,267,592	11,421,097	1.7%	2.6%	9.0%	1.2%	1.6%	5.2%
Marion	Speedway City School Corporation	0	5,238	5,238	0	0	0	2,114	5,238	0.0%	0.1%	0.2%	0.0%	0.1%	0.1%
Marion	Beech Grove Public Library	0	154,563	140,197	0	0	0	71,118	154,563	6.6%	14.3%	13.0%	5.5%	11.5%	10.1%
Marion	Speedway City Public Library	0	657	1,611	0	0	0	657	1,611	0.0%	0.1%	0.2%	0.0%	0.1%	0.1%
Marion	Indianapolis-Marion County Public Librar	364,961	1,893,892	1,875,085	0	0	364,961	1,893,892	1,875,085	0.9%	4.9%	4.8%	0.8%	4.3%	4.2%
Marion	Indianapolis Sanitation (Liquid)	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Marion	Indianapolis Sanitation (Solid)	251,176	1,268,564	1,263,058	0	0	251,176	1,268,564	1,263,058	1.0%	4.9%	4.9%	0.8%	4.2%	4.2%
Marion	Indianapolis Police Special Service	554,044	3,059,073	2,965,878	0	0	554,044	3,059,073	2,965,878	1.6%	8.7%	8.5%	0.4%	2.1%	2.1%
Marion	Indianapolis Fire Special Service	482,469	2,679,534	2,603,485	0	0	482,469	2,679,534	2,603,485	1.3%	7.0%	6.8%	0.6%	3.0%	2.7%
Marion	Indianapolis Public Transportation	217,373	1,047,092	1,040,003	0	0	217,373	1,047,092	1,040,003	1.0%	5.0%	5.0%	0.3%	1.6%	1.5%
Marion	Marion County Health And Hospital	548,248	2,713,631	2,681,333	0	0	548,248	2,713,631	2,681,333	1.0%	4.9%	4.8%	0.2%	1.0%	1.0%
Marion	Marion County Airport	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Marion	Speedway Public Transportation	0	169	415	0	0	0	169	415	0.0%	0.1%	0.2%	0.0%	0.0%	0.1%
Marion	Indianapolis Consolidated City	208,939	1,063,129	1,063,358	0	0	208,939	1,063,129	1,063,358	1.0%	4.8%	4.7%	0.7%	3.3%	3.3%
Marion	Indianapolis Consolidated County	521,990	2,579,195	2,547,999	0	0	521,990	2,579,195	2,547,999	1.0%	4.9%	4.8%	0.5%	2.6%	2.6%
Marion	Lawrence City Redevelopment Commission	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Marion	Redevelopment Commission Of Indianapolis	45,194	228,509	227,433	0	0	45,194	228,509	227,433	0.9%	4.7%	4.7%	0.0%	0.0%	0.0%
Marion	TIF_49101_Indpls City - Center Twp	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Coping with the Circuit Breaker

- Step 2: plan out your unit's revenues and expenditures at least for the next three years. Take into account not only property tax revenue, but also other forms of revenue, such as income tax and user fees.

Coping with the Circuit Breaker

- Step 3: contact other units of government that overlap your own, especially the school districts. They may have plans that would cause additional lost revenue due to the circuit breaker.

For example, if a school district undertakes a construction project, it will probably result in an increase in property tax levies and result in more circuit breaker credits being owed to taxpayers. All units, including yours, share in the cost of the credits to taxpayers, even if your unit has nothing to do with the project. For example, if your school district undertakes a construction project within the Circuit Breaker cap, your unit of local government will be required to finance part of the credits to taxpayers.

Coping with the Circuit Breaker

- Step 4: consider alternative revenue sources. Recent legislation seems to encourage the enactment or increase of local option income taxes (LOIT). Consequently, it is expected that the units most affected by the Circuit Breaker are likely to turn to these alternatives.

Coping with the Circuit Breaker

- Step 5: begin to consider what expenditures can be reduced or avoided in the future. A fiscal plan will help you identify and track these savings.

Coping with the Circuit Breaker

- Appeals: There is no assurance an appeal will be granted but each unit affected by the Circuit Breaker should consider an appeal. The deadline for budget year 2010 is December 8, 2009. The effect of an appeal could be for the revenue loss to be reduced or deferred.

http://www.in.gov/dlgf/files/PoliciesProceduresForPetitioningDUAB_Memo.pdf

Note: A “distressed political subdivision” is defined as a political subdivision (e.g., county, city, town, township, library district, fire protection district, school corporation, special taxing district) that expects to have its property tax collections reduced by at least five percent (5%) in a calendar year as a result of the Circuit Breaker credit. IC 6-1.1-20.3-2.



Thank you for joining us!

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