

STATE AND LOCAL TAX REVIEW TASK FORCE



**Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204**

Wednesday November 20, 2024

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2024

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STATE AND LOCAL TAX REVIEW TASK FORCE

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Cris Johnston
Director of the Office of Management and Budget

Justin Ross
State Educational Institution Economist

Staff

Lauren Tanselle
Greg Mize

FINAL REPORT

State and Local Tax Review Task Force

I. STATUTORY DIRECTIVE

The State and Local Tax Review Task Force (“Task Force”) was established by Senate Enrolled Act 3-2023 and is directed to meet at least four times in calendar year 2023 and at least four times in calendar year 2024 under the provisions of the Act.

II. INTRODUCTION AND REASONS FOR STUDY

The Legislative Council, in Legislative Council Resolution 23-01 and Legislative Council Resolution 24-01, directed the Task Force to review the following topics:

- (1) The state's near term and long term financial outlook and overall fiscal position.
- (2) The state's appropriation backed debt obligations.
- (3) The funded status of pension funds managed by the state, including methods to reduce the unfunded actuarial accrued liability of the pre-1996 account within the Indiana state teachers' retirement fund.
- (4) The individual income tax, including methods to reduce or eliminate the individual income tax.
- (5) The corporate income tax.
- (6) The state gross retail and use tax, including a review of the state gross retail tax base.
- (7) The property tax, including methods to reduce or eliminate the tax on homestead properties and reduce or eliminate the tax on business personal property.
- (8) Local option taxes, including the local income tax, food and beverage taxes, and innkeeper's taxes.
- (9) Changing the qualification requirements for a civil taxing unit to be eligible for a levy increase in excess of limitations under IC 6-1.1-18.5-13(a)(2).
- (10) Requiring certain projects of a political subdivision to be subject to:
 - (A) the petition and remonstrance process under IC 6-1.1-20 if the political subdivision's total debt service tax rate is more than forty cents (\$0.40) per one hundred dollars (\$100) of assessed value, but less than eighty cents (\$0.80) per one hundred dollars (\$100) of assessed value; or
 - (B) the referendum process under IC 6-1.1-20 if the political subdivision's total debt service tax rate is at least eighty cents (\$0.80) per one hundred dollars (\$100) of assessed value.
- (11) Capping the total amount of operating referendum tax that may be levied by a school corporation.
- (12) The maximum levy growth quotient formula.
- (13) The use of an influence factor or assessed value deduction for assessment of excess residential acreage.
- (14) The movement of parcels between allocation areas.
- (15) The agricultural land base rate formula.
- (16) The use of debt by school corporations.

III. SUMMARY OF WORK PROGRAM

The Task Force met four times in 2023 and four times in 2024. All of the meetings took place in the State House, Indianapolis, Indiana.

The Task Force met on August 23, 2023, at 10:00 a.m. and discussed and heard testimony on topics (1), (2), and (3).

The Task Force met on September 29, 2023, at 8:30 a.m. and discussed and heard testimony on topic (4). The Task Force also discussed and heard testimony on various topics from state tax experts.

The Task Force met on October 20, 2023, at 10:00 a.m. and discussed and heard testimony on topics (5) and (6). The Task Force also discussed and heard testimony on various topics from state tax experts.

The Task Force met on November 20, 2023, at 10:00 a.m. and discussed and heard testimony on topics (7) and (8).

The Task Force met on January 10, 2024, at 9:00 a.m. and discussed and heard testimony from state tax experts and public testimony on various Task Force topics.

The Task Force met on April 17, 2024, at 9:00 a.m. and discussed and heard testimony from a state tax expert on topics (9) through (16).

The Task Force met on June 18, 2024, at 9:00 a.m. and discussed and heard testimony on the property tax topics discussed during the previous meeting.

The Task Force met on November 20, 2024, at 2:00 p.m., considered the Task Force's recommendations, and approved the final report by a vote of 9 to 1.

The meeting minutes and archived videos from the Task Force's meetings can be accessed at the following links:

<https://iga.in.gov/2023/committees/interim/state-and-local-tax-review-task-force> (2023 interim)

<https://iga.in.gov/2024/committees/interim/state-and-local-tax-review-task-force> (2024 interim)

IV. TASK FORCE FINDINGS AND RECOMMENDATIONS

During the 2024 interim, the State and Local Tax Review (SALTR) Task Force makes the following recommendations by tax type beginning with 2025 legislation and beyond:

Property Taxes

- Enact more effective controls on property tax bills, particularly for homesteads.
- All eligible over 65 property taxpayers should receive a credit to ensure a reduction on their property tax bill.
- Refine the agricultural land base rate methodology.
- Increase the de minimis business personal property tax exemption to help small Hoosier businesses.
- Reduce the 30% floor for all business personal property to spur economic development.
- Make progress towards a transparent and accountable property tax system that enables taxpayers to see a reduction in their property tax bill when their local unit reduces its tax rate.

Local Income Taxes (LIT)

- Enable the collection and distribution of LIT revenue within a county by utilizing GIS (Geographic Information Systems).
- Phase in a reduction to the overall LIT rate cap to match the state income tax rate.
- Permit larger municipalities to adopt their own LIT rate under the overall LIT rate cap.

WITNESS LIST

Cris Johnston, Director of the Office of Management and Budget
Zac Jackson, Director of the Budget Agency
Hari Razafindramanana, Chief Economist of the Budget Agency

Jim McGoff, Chief Operating Officer of the Indiana Finance Authority
 Steve Russo, Executive Director of the Indiana Public Employee Retirement System
 Kurt Couchman, Senior Fellow in Fiscal Policy, Americans for Prosperity
 Brandt Hershman, Partner, Barnes & Thornburg and former Indiana State Senator
 Camille Tesch, Senior Fiscal Analyst, Legislative Services Agency
 Heath Holloway, Deputy Director, Legislative Services Agency
 Greg Mize, Senior Staff Attorney, Legislative Services Agency
 Megan Compton, State Geographic Information Officer
 Kevin Gulley, Chief Information Officer, Indiana Department of Revenue
 Josh Goodman, Senior Officer, The Pew Charitable Trusts
 Aleena Oberthur, Project Director, The Pew Charitable Trusts
 Luke Kenley, former Indiana State Senator
 Lauren Tanselle, Assistant Director, Legislative Services Agency
 Randhir Jha, Chief Economist, Legislative Services Agency
 Dr. Tim Brown, former Indiana State Representative
 Katherine Loughead, Senior Policy Analyst, Center for State Tax Policy at the Tax Foundation
 Andrey Yushov, Senior Policy Analyst, Center for State Tax Policy at the Tax Foundation
 Tom Savidge, Research Director, American Legislative Exchange Council
 Jonathan Williams, Chief Economist, American Legislative Exchange Council
 Wesley Tharpe, Senior Advisor for State Tax Policy, Center on Budget and Policy Priorities
 Neva Butkus, State Policy Analyst, Institute on Taxation and Economic Policy
 Bob Sigalow, Senior Fiscal Analyst, Legislative Services Agency
 Scott Maitlan, Deputy Commissioner and Chief of Staff, Department Local Government Finance
 Grover Norquist, President, Americans for Tax Reform
 David Reynolds, Senior Vice President, Policy Analytics, LLC
 Larry DeBoer, Emeritus Professor, Purdue University
 David Ober, Vice President, Taxation and Finance for the Indiana Chamber of Commerce
 Andrew Phillips, Ernst and Young
 Eric Syverson, Senior Policy Specialist for the National Conference for State Legislatures
 Mark Fisher, CEO of the Indiana Association of Realtors
 Ryan Hoff, Director of Government Affairs and General Counsel for the Association of Indiana Counties
 Campbell Ricci, Policy Director for Accelerate Indiana Municipalities
 Katrina Hall, Indiana Farm Bureau
 Natalie Robinson, State Director for National Federation of Independent Businesses
 Adam Burtner, Vice President of Government Affairs for the Indy Chamber
 Andrew Bradley, Policy Director for Prosperity Indiana
 Senator Shelli Yoder
 Suzanne Herman, Legal Director at Period Law
 Dr. Tracy Wilkinson, Indiana University School of Medicine
 Hollie Payton, Program Facilitator for the Teen Advocacy Council
 Cecelia Poynter (read the written testimony of Candis Deisler, School Nurse, Fort Wayne Community Schools)
 Vera McConnell, a high school student
 Jessica Louise, Indiana Organizing Manager for All Options
 Kennedy Phillips, Program Manager for Women 4 Change Action Fund
 Chelsea McDonnell, a resident of Muncie, Indiana
 Haley Bougher, Indiana State Director of Planned Parenthood Alliance Advocates
 Paul Nix, a resident of Fishers, Indiana
 Patrick Bennett, Indiana Cast Metals Association
 Erin Macey, Director of the Indiana Community Action Poverty Institute
 Representative Jeffrey Thompson, Chairman of the House Ways and Means Committee and Vice-Chairman of
 the Task Force

Stacey O'Day, Allen County Assessor
Scott Bowling, Indiana Association of School Business Officials