

TAX MATTERS

OCTOBER 30, 2008, Issue #08-44, by Bernard Ridens, Executive Director
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1. 2009 HIGH SCHOOL COMPETITION – YOUR SPECIAL SUPPORT IS NEEDED

2. ALL PROPERTY TAX RELIEF LOITS ARE NOT THE SAME

3. PUBLIC MEETINGS

REVIEW OF PAST TAX MATTERS

OCTOBER 23, 2008 (#08-43)

- LOCAL PUBLIC QUESTION #1
 - The fact that voters in certain townships and counties have a choice in the matter is creating more confusion and future problems for the state. It is hard to believe that all of the townships involved will vote unanimously yes or no. The ultimate goal of the Kernan-Shepard report was to have all 92 counties of the state of Indiana functioning with the same form or rules of government

OCTOBER 16, 2008 (#08-42)

- BOARD OF HEALTH HOLDS QUARTERLY MEETING
- FISCAL IMPACT OF 2008 INDIANA GENERAL ASSEMBLY
 - The financial situation has changed drastically since this report was published. We will need to wait to see if revenue collections will remain as estimated. If not, what is the solution? - http://www.in.gov/sba/files/As_Passed_2008_Whole_Report_and_Letter.pdf

OCTOBER 9, 2008 (#08-41)

- BID SELECTION FOR HONEY HILLS / DALLAS ROAD SEWER EXTENSION PROJECT
- GOVERNMENT BAILOUTS – AN AMERICAN TRADITION
 - This is not the first time our government has bailed out our economy:
<http://www.wsj.com/article/SB122186662036058787.html>

The Taxpayers Association is a not-for-profit organization supported by membership dues. Any citizen or group of citizens in Vigo County may be a member. Current members are encouraged to promote membership in the organization by giving the attached application to a potential member. [See the TA application and dues structure.](#) This is NOT an invoice for your dues.

1. 2009 HIGH SCHOOL COMPETITION – YOUR SPECIAL SUPPORT IS NEEDED

Once again, the Taxpayers Association will encourage educational taxation and government insight by sponsoring a competition involving our local high schools. In past years, the competition has been an essay contest. This year, teams of five students will represent their high school and take a test on taxation and government. Top scores from individual students will be given cash awards, and a team cash award will be given to the winning school. All students will receive a participation certificate. The media will be notified before and after the contest, and co-sponsors will be given credit. The budget for this competition includes special taxation and government handbooks provided to each school, cash awards, and certificates. It is hoped that several members will contribute to this worthy cause with a cash contribution over and beyond regular dues. We project the budget for this competition to be about \$1,000.

2. ALL PROPERTY TAX RELIEF LOITS ARE NOT THE SAME

The following article was taken from the [Umbaugh Footnotes](#) newsletter. Umbaugh is a certified public accounting firm for local governments, including those in Indiana. This article examines the property tax relief local option income tax.

By Gary Malone, CPA, Executive Partner

This is the first in a two-part series analyzing how to structure a Property Tax Relief LOIT to replace lost revenue.

The Property Tax Relief local option income tax (LOIT), also known as LOIT Option B, is one option for county and local governmental units to replace revenue lost to the new property tax caps. Revenue from a LOIT has the added benefit of providing relief to many, if not all, taxpayers, whether or not they received relief from Circuit Breaker credits.



Changes in taxes and revenue streams are interdependent, so there is no "one size fits all" recommendation that works in every circumstance. An in-depth analysis can help you weigh how the changes affect one another before you settle on a solution.

It is probably beneficial to approach a LOIT without having a preconceived notion of the form it will take. Rather, examine the data and decide which rate and distribution plan are the best options.

The first consideration is the relative balance of properties in the 1, 2 or 3 percent tax cap groups.

Second, consider whether you want the LOIT revenue to be distributed as a credit just to homesteads, qualified residential properties or to all properties (a uniform credit). Who is most in need of relief in your area?

After analyzing the data, you will need to decide the amount of the LOIT, which can be enacted in increments of .05% up to a maximum of 1%.

We analyzed two scenarios to give you examples to study: one analyzes data from a city and the other is data from a county with a mixture of rural land and relatively small towns. We are showing the amounts that could be generated at each LOIT rate, the variations that happen when

you select Qualified Residential or Uniform credits, and how much of the entity's projected revenue loss is offset by the LOIT.

City A

Without a LOIT, property tax caps will reduce this City's revenue by \$19.9 million in 2010. It has a relatively high number of properties in the 3% cap category, prefers to give relief to businesses and residential properties, and has a total levy of \$65 million.

Distributing a LOIT as a Qualified Residential Credit produces the following amount of income in 2010 (column 2) and the resulting loss from tax credits is in column 3:

LOIT percentage	Estimated LOIT revenue	Loss from tax credits
0%		\$19,900,000
.25%	\$3,400,000	\$17,000,000
.50%	\$6,800,000	\$14,250,000
.75%	\$10,200,000	\$11,760,000
1%	\$13,600,000	\$9,690,000

If that same LOIT is distributed as a Uniform Credit (the most likely solution for an area with a high percentage of 3% cap properties and wanting to benefit businesses as well as residential properties), it produces the following amount of income and reduction in revenue loss for the city.

LOIT percentage	Estimated LOIT revenue	Loss from tax credits
0%		\$19,900,000
.25%	\$3,540,000	\$16,510,000
.50%	\$7,080,000	\$13,170,000
.75%	\$10,620,000	\$9,910,000
1%	\$14,160,000	\$6,780,000

County B

For this County, the projected total loss from property tax caps in 2010 is \$3,530,000. The County has a relatively low concentration of properties in the 3% category, is more concerned about providing relief for residential properties and has a total levy of \$39 million.

Distributing a LOIT as a Qualified Residential Credit produces the following amount of income in 2010 and a resulting reduction in the revenue loss from tax credits:

LOIT percentage	Estimated LOIT revenue	Loss from tax credits
0%		\$3,530,000
.25%	\$1,690,000	\$2,730,000
.50%	\$3,380,000	\$2,060,000
.75%	\$5,070,000	\$1,550,000
1%	\$6,760,000	\$1,360,000

Distributing that LOIT as a Uniform Credit (which does not match the County's goals) would produce the following amount of income and revenue loss:

LOIT percentage	Estimated LOIT revenue	Loss from tax credits
0%		\$3,530,000
.25%	\$1,690,000	\$2,660,000
.50%	\$3,380,000	\$1,830,000
.75%	\$5,070,000	\$1,330,000
1%	\$6,760,000	\$990,000

At the maximum 1% LOIT amount, the County's lost revenue is reduced to \$1,360,000 under the Qualified Residential Credit plan and \$990,000 under the Uniform Credit computation.

We have yet to find an Indiana county where enacting a LOIT totally replaces all revenue lost to the property tax caps. Likewise, the full 1% LOIT is not necessarily the best solution. Mathematically you reach a point where you have a diminishing return – the LOIT gets higher, but credits are not diminishing as much as LOIT is increasing.

You won't find a consistent ratio (does x% of LOIT reduce losses by x%) from these two scenarios. That's because of each area's unique mix of properties in the various property tax cap percentages. As we said earlier, there is no "one size fits all" recommendation.

In our next issue we'll show how the distribution plan affects each category in our two scenarios.

If you would like more information about enacting a LOIT for your area, please contact us at footnotes@umbaugh.com.

3. PUBLIC MEETINGS

The purpose of this calendar is to encourage taxpayers to attend public meetings. Taxpaying persons working at your business or living in your neighborhood should be encouraged to attend a meeting of their choice at least once per year. The date and time for the meetings listed below are always subject to change. The contact person is also listed. You should call the appropriate office and confirm the date and time if you plan to attend.

<i>Date</i>	<i>Time</i>	<i>Public Meeting</i>	<i>Location</i>	<i>Contact Info</i>
Mon. Nov. 3	6:30 pm	Local Emergency Planning Committee	Library – Main Branch	Jon 232-5411
Mon. Nov. 3	6:30 pm	Riley Town Board	Riley Town Hall	Wanda 894-2410
Tue. Nov. 4	4:30 pm	Honey Creek Conservancy District	3241 S. 3 rd Place	Craig 232-4311
Wed. Nov. 5	9:00 am	City Board of Zoning Appeals	City Hall – 1 st Floor Conf. Room	Bernard 235-1361
Wed. Nov. 5	7:00 pm	County Area Planning Commission	County Annex	Vickie 462-3354
Thur. Nov. 6	7:00 pm	City Council – Sunshine Meeting	City Hall – Courtroom	Michelle 232-3375
Mon. Nov. 10	2:00 pm	Board of Public Works and Safety	City Hall – 1 st Floor	Robin 232-4767
Mon. Nov. 10	6:00 pm	West Terre Haute Town Board	500 W. Nat'l, WTH	Melody 533-2034
Mon. Nov. 10	7:00 pm	Vigo County School Board	VCSC Board Room	Judy 462-4216
Wed. Nov. 12	10:00 am	Area Board of Zoning Appeals	County Annex	Bernard 235-1361
Wed. Nov. 12	4:30 pm	City Park Board – General Meeting	Deming Park	Eddie 232-2727
Wed. Nov. 12	7:00 pm	Airport Authority	Airport	Kara 877-2524
Thur. Nov. 13	7:00 pm	City Council – Regular Meeting	City Hall – Courtroom	Michelle 232-3375
Mon. Nov. 17	5:30 pm	Human Relations Commission	Booker T. Washington Center	
Mon. Nov. 17	7:00 pm	Vigo County Public Library	Library – Main Branch	Nancy 232-1113
Tue. Nov. 18	9:00 am	County Commissioners	County Annex	Judy 462-3367
Tue. Nov. 18	10:00 am	City Board of Sanitary Commissioners	City Hall – 3 rd Floor	Sally 235-5458
Tue. Nov. 18	12:00 pm	Taxpayers Association Board Meeting (RSVP: LUNCH PROVIDED BY THBC)	Terre Haute Bowling Center	Bernard 235-1361
Wed. Nov. 19	9:30 am	Clay-Owen-Vigo Solid Waste District	109 E. Nat'l, Brazil IN	Janet 800-387-3380
Wed. Nov. 19	4:00 pm	City Redevelopment Commission	City Hall – 1 st Floor	Phenny 232-0018
Thur. Nov. 20	1:30 pm	Tree Advisory Board	City Hall Mayor's Conf. Room	Jennifer 232-4028

END

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