



February 20, 2015

Five Concerning Bills and Five Good Bills To Pay Attention To

As the deadline for committee hearings in the house of origin has come and gone, we thought it might be a good time to boil a few things down for our members. This session has been a more balanced session in terms of bills that are good for cities and towns and those that aren't very good. Below are five bills of great concern for municipalities and five bills that could have a positive impact on city and town operations. Please read the summaries below and talk with your senators and representatives while they are back home this weekend!

Top Five Bills of Serious Concern

Senators Need to Hear from YOU on Bad Annexation Bill, Vote NO on SB 330!

SB 330 – Annexation (Boots, R-Crawfordsville; Head, R-Logansport, Buck, R-Kokomo)

Next week the Senate will take up SB 330, a terrible piece of legislation that seeks to remedy several perceived problems with municipal annexation. SB 330 flips the process and does away with annexation as we know it today. SB 330 changes municipal annexation and requires municipalities to proactively solicit approval of 50%+1 or 75% of assessed valuation of landowners for annexation to proceed. The bill eliminates remonstrance waivers. Currently, SB 330 does not allow for non-contiguous annexation for economic development. It requires municipalities to assume debt for improvements the county may have made within the annexed territories.

This bill goes too far – it cannot proceed. SB 330 makes municipal annexation nearly impossible, even in cases where municipalities have gone above and beyond in terms of compliance with the current law. Less than 6% of annexations from 2009-2014 had a remonstrance filed. In vast majority of cases, the municipalities are doing an effective job in communicating upfront. At the end of the day, we believe the outcomes are positive for most people. SB 330 is an extreme over-reaction to concerns over annexation. It punishes the vast majority of municipalities because of the perceived sins of a few. While no legislation can solve every problem of the past, we have an opportunity to learn from the best practices of the present and create a better process for everyone moving forward. SB 330 is not a balanced or workable approach. HB 1561 is a bill that is moving that takes a more reasonable approach to annexation reform. While the bill isn't perfect, all stakeholders in annexation have met repeatedly and the result has been a bill that is much more workable than SB 330. Please urge your State Senator to Vote NO. Encourage your colleagues and community stakeholders to get involved and help stop SB 330 now.

Please Call Your Senator Over the Weekend and Urge a NO Vote on SB 330!

[Click here to read full action alert](#)

[Click here for a great letter by Elkhart Mayor Dick Moore!](#)

IACT Position: Oppose and Urge Defeat of SB 330 in the Senate Next Week

Casinos Receive Tax Break at Expense of Locals with Casino

[HB 1540](#) Gaming Matters (Dermody, R- La Porte)

The House Committee on Ways and Means adopted an amendment before passing HB 1540 with a final vote of 20-3. The amendment added significant tax breaks for casinos, to begin in 2017, by eliminating the admissions tax and modifying the wagering tax. As a result, the State will receive 18% less revenue from the 13 casinos, which translates to \$120 M annually. In order to mitigate the loss of revenue to the State, HB 1540 voids all Local Development Agreements on December 31, 2016 between the city or town and the casino and eliminates the \$48 M subsidy to locals with casinos for these agreements. If an agreement is not reached, the Indiana Gaming Commission will arbitrate a new agreement equal to 2% to 7% of the Adjusted Gross Receipts of the casino. Beginning in 2017, the amendment also increases the amount of revenue sharing from \$33 M to \$40 M and also extends this money to all counties, cities and towns in Indiana. [Click here](#) for information about this bill.

IACT Position: Oppose

Bill Calls for Cities and Towns to Get Less Public Safety LOIT Revenue

[SB 427](#) Distribution of Public Safety Income Tax Revenue (Niemeyer, R-Lowell)

SB 427 passed out of the Senate Tax and Fiscal Committee this week. The bill calls for mandatory distributions of public safety local option income tax (LOIT) revenue to go to townships and EMS providers in addition to counties, cities and towns. Under current law, townships and EMS providers may petition the county council to receive LOIT funds and funds are awarded on an as-needed basis at the discretion of the county council. By making the distributions mandatory to the additional units, cities and towns stand to receive less revenue.

IACT Position: Oppose

Senate Proposes Elimination of Small Business Personal Property Tax

[SB 436](#) – State and Local Taxation (Hershman, R-Buck Creek)

SB 436 contains a provision to eliminate business personal property taxes on small businesses within a county where the acquisition cost of the equipment is \$20,000 or less, resulting in an estimated \$8 M loss statewide to local units of government. As passed last year by the Indiana General Assembly, beginning in July 2015, counties will have the local ability to eliminate this “small business personal property tax,” if they so choose. This bill makes that elimination mandatory. While the fiscal impact of this provision to cities and towns is not enormous, IACT still advocates for replacement revenue when business personal property taxes are eliminated. SB 436 heads to the full Senate next week for consideration.

IACT Position: IACT is concerned about the reduction of business personal property taxes without replacement revenue. We appreciate Sen. Hershman’s willingness to consider a flat fee as an option for replacement. Our goal is to work with Sen. Hershman and the members of the legislature toward a solution that ensures local units are not adversely impacted by this bill or other related proposals that may be considered.

Customers Left in the Dark

[SB 309](#) Electricity Suppliers’ Service Area (Crider, R-Greenfield)

The Senate passed SB 309 with a final vote of 42-7 and is now headed to the House where it will be heard in committee in a few weeks. [Click here](#) to see how your Senator voted on this issue. This bill severely hamstringing the 72 municipalities that own and operate an electric utility and goes as far as putting the interests of the Rural Electric Membership Cooperatives and Investor Owned Utilities over those of the customer. As written, SB 309

prohibits a municipal electric from offering electric service to a newly annexed area without a mutual agreement with the incumbent electric provider. This fact remains even if customers request the more reliable and cost effective electricity from the municipal electric.

IACT Position: Oppose

Top Five Bills Good for Cities and Towns

House PSAP bill is Amended and Passes Out of Committee

HB 1475 Statewide 911 System (Karickhoff, R-Kokomo)

This week, HB 1475 passed out of the Ways and Means Committee with a substantial amendment. The bill, in its current form, uncouples the public safety LOIT from the property tax relief/levy freeze LOIT (an IACT initiative). It extends the sunset date for the 911 fee to be collected on telephones until 2020 and raises the fee on telephones to \$1.00 for all types of phones. The bill also calls for an audit of the collection of 911 fees and requires collection of certain data. It provides that counties and cities and towns may petition the Department of Local Government Finance for levy adjustments following PSAP consolidation. The bill requires 911 fee distribution to counties to remain at the 2014 levels going forward from 2016. The bill also provides that a county income tax council or county council may adopt a resolution to distribute up to 100% of the Public Safety LOIT tax revenue to a PSAP that is part of the statewide 911 system (more work is needed on this provision).

IACT Position: Support – Still Working on the Fine Details

Abandoned Housing Bill Clears the Senate

SB 415 Vacant and Abandoned Housing and Mortgage Servicing (Merritt, R-Indianapolis)

SB 415 passed out of the Senate by a 50-0 vote this week. Representative Ed Clere (R-New Albany) was named the House sponsor. Initially, the bill was introduced to address a drafting error in the law passed last year which enabled abandoned properties to be sold outright at tax sale rather than having a redemption period. The bill now contains many positive provisions in addition to deal with abandoned and problem properties. For instance, the bill includes a provision that allows a county, city or town to adopt an ordinance to allow a tax deduction for abandoned properties that are rehabilitated. It provides a mechanism for city and towns or the county to take control of an abandoned property when the minimum bid is not received. It also prohibits owners of property that was found to be vacant or abandoned from buying property at tax sale and requires the attorney general to include these owners on the tax sale blight registry. The bill also contains a provision regarding foreclosure prevention agreements, which we are continuing to evaluate.

IACT Position: Support

Two Bills Provide More Flexibility to Locals to Deal with Property Tax Appeals

HB 1603 Property Tax Appeals (Smaltz, R-Auburn)

The House Committee on Local Government passed an amended HB 1603 out of committee with a final vote of 11-0. HB 1603 clarifies that when a deadline imposed on a city or town in the property tax statutes falls on a non-business day, the city or town must take the necessary action the first business day after the stated deadline. The bill also requires the county assessor or township official to notify the county auditor in writing of a request for a preliminary informal meeting. The county auditor then notifies the fiscal office of affected local units on a quarterly basis, including Redevelopment Commissions. After June 30, 2015, the notice must include the following information: appellant's name and address, the assessed value of the appealed items for the assessment date immediately preceding the assessment date for which the appeal was filed, and the assessed value of the

appealed items on the most recent assessment date. HB 1603 also allows a fiscal officer of a unit to establish a property tax assessment appeals funds to pay for property tax refunds and provide assistance to the county assessor in defending appeals. The bill specifies that fund is made up disputed assessed value under appeal is subtracted from the net assessed value of a taxing district with a limit of 5% of the taxing district's total assessed value.

[SB 118](#) (Kruse, R-Auburn) is a similar bill to HB 1603 that passed out of the Senate with a 50-0 vote. In regards to commercial or industrial property, it requires the county assessor to create a list of affected taxing units and information about the taxpayer and the property's assessed value and make this information available for the inspection of the fiscal officer of each of the affected taxing units in either an electric or written format.

IACT Position: Support

IACT is So Far Successful with Initiative to Consolidate TIF Reporting

[SB 567](#) Redevelopment Commissions and Authorities (P. Miller, R-Brownsburg)

SB 567 passed in the Senate last week by a 50-0 vote. Representative Randy Truitt (R-West Lafayette) has been named the House sponsor. SB 567 is an IACT initiative bill which aims to consolidate the multitude of TIF reporting deadlines to make reporting easier and more efficient for local governments. The bill also allows a redevelopment commission or authority to hold its organizational meeting on *any* day in January that is not a Saturday, Sunday or legal holiday (current law requires the meeting to be held on the *first* day of January that was not a Saturday, Sunday or legal holiday). An amendment was added to the bill on second reading in the Senate which clarifies that the fiscal officer of a redevelopment commission may disburse funds only after the disbursement is approved by the commission.

IACT Position: Support – An IACT Initiative Bill

Language Moving in Senate to Address “Dark Store” Assessment Issue

[SB 436](#) – State and Local Taxation (Hershman, R-Buck Creek)

Last December, the State Board of Tax Review ruled that an Indianapolis Meijer store, one of the most successful in the state, should have been assessed at a value of \$30 per square foot versus \$83 per square foot, costing Marion County \$2.4 M in refund for the nine-year period spanning 2002-2012 which was challenged. As explained in a recent [news story](#), the value of retail real estate is based on the current condition of the business. However, big-box chains are pushing to have their buildings compared to others that have been vacated and sold, an approach known as the “dark store theory.” Meijer used this “dark store” approach in its assessment appeal and compared its 96th Street store to a former Lowe’s and closed Walmart stores in other Indiana communities.

Some estimate this could lead to other box stores seeing their assessments slashed in half. In fact, as reported by the [IBJ](#), one study commissioned by county officials’ estimates that if the tax review board's position on big-box valuation becomes the norm, the value of more than 17,000 commercial properties would drop by \$3.5 billion and the property owners would save \$120 million. However, those savings would be made up by shifting the tax burden to other types of tax payers. Less revenue would flow to local governments and tax-increment financing districts, according to an analysis by Indianapolis-based Policy Analytics. This concern led the Indiana Senate to take action. Sen. Hershman amended his bill in committee this week to address the “Dark Store” assessment issue. SB 436 now includes a provision that specifies how big box and retail stores are to be valued for assessment purposes, including such factors as: market value-in-use, improvement costs as reported on federal taxes and construction costs. The provision also addresses sale-leaseback properties, and would affect any assessment after March 1, 2015 or any appeal decision after March 1, 2015. SB 436 heads to the full Senate next week for consideration. Many thanks to Senate leadership for addressing this critical issue.

IACT Position: Support

An update on the Governor's Regional Cities Initiative

The Regional Cities Initiative has taken a setback. Funding for Regional Cities in the House version of the biennial budget was reduced from \$84 million to \$10 million per year. [See this letter from IEDC's Eric Doden.](#)

Register for Statehouse Road Funding Day on March 17



IACT is partnering with several other associations to continue to educate lawmakers on the need to bridge the road-funding gap experienced by cities and towns by holding a Road Funding Day at the Statehouse on March 17. IACT's Legislative Day is scheduled the day before, so IACT is encouraging members to stay the night in Indianapolis in order to join IACT and our partners on March 17.

2015 Legislative Dates & Deadlines

Tuesday, February 24

2nd Reading deadline in house of origin

Wednesday, February 25

3rd Reading deadline in house of origin

Thursday, April 9

Deadline for committee reports in second house

Tuesday, April 14

2nd Read deadline in second house

Wednesday, April 15

3rd Reading deadline in second house and concurrence deadline for conference committee reports

Wednesday, April 29

Last day of session



REGISTER ONLINE!

IACT
LEGISLATIVE DAY

March 16, 2015
Hyatt Regency, Indianapolis