



JANUARY 15, 2016

As we bring the second week of the 2016 legislative session to a close we have five things you need to know about the happenings at the State House. This week, we are also following up with [a list of 25 bills of interest](#) that the IACT lobbying team is engaging in or actively tracking.

THIS WEEK: THE TOP 5 THINGS YOU NEED TO KNOW

Road Funding

- The discussion on the two prominent road funding proposals is heating up as legislators look at a fundamentally long term approach with revenue increases or a short term supplement by reallocating current revenue.
- IACT is supportive of both proposals as one will provide us with immediate funding to start fixing our roads this summer and the second will provide a long term plan for dependable infrastructure funding.
- Mayors provided testimony in support of both bills this week and IACT will continue to work with legislators on improving the bills. It is vital for local officials to remain in contact with their legislators as a reminder of how important this issue is back home.
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Annexation

- IACT's initiative annexation bill, HB 1298, makes clean-up changes to last year's sweeping annexation law, SEA 330.
- HB 1298 will be heard in the Government and Regulatory Reform Committee on Tuesday.
- IACT opposed two other annexation bills. SB 143 requires county commissioner approval to annex; SB 298 removes the economic development exception for annexations.
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Tax Increment Financing

- Three Senate Bills have been filed that deal with TIF
- SB 389 is the most concerning. It allows an underlying taxing unit such as a township or school to choose whether or not to participate in a newly created TIF area.
- SB 280 which allows TIF revenue to be given to a public transportation corporation will be heard on Thursday of next week in Senate Appropriations.
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Dark Store Appeals

- Local officials statewide are seeing the impact of drastic dark store appeal decisions made by the Indiana Board of Tax Review (IBTR).
- IACT was supportive of legislation passed in 2015 to address the dark stores property tax appeals issue, however, legislative leaders are continuing to work on a legislative fix to address the continuing problem.
- The legislation that has been introduced will address some key issues with the dark stores process, however this is seen by many individuals as the next step in a long process to correct the issue. IACT supports this legislation and appreciates our legislator's initiative to keep the discussion moving in the right direction.
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Public Safety Local Option Income Tax

- Currently, only counties and municipalities are entitled to a distribution of public safety LOIT revenue. SB 311 and HB 1063 would allow for an automatic "off the top" distribution of public safety LOIT revenue to townships.
- If a township within a county operates a fire department, a volunteer fire department, or emergency medical services, then cities and towns that receive public safety LOIT revenue within that county will receive less revenue.
- Both bills are currently pending in committee and haven't been scheduled for a hearing yet. IACT will be actively working to stop both bills from advancing.
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Local Road Funding Proposals Top Priority in 2016

[SB 67 Supplemental Distribution of Local Income Tax](#) (Hershman, R-Buck Creek)

[HB 1001 Road Funding](#) (Soliday R-Valparaiso)

Discussion on the four road funding proposals which increase funding for locals started to heat up this week at the statehouse. Governor Pence highlighted increased infrastructure funding as a top priority during his State of the State speech this week and once again stated "let's do it without raising taxes". Speaker Bosma (R-Indianapolis) and House Transportation Chairman Soliday (R-Valparaiso) have called the House Republican plan "responsible, comprehensive and sustainable".

The most intriguing change to SB 67 this week was an amendment that would decrease the local option income tax (LOIT) trust account from 50% to 25%.

This change would mean that once a County LOIT trust account has built reserves back up to 25%, the local taxing units will then receive the full distribution of their LOIT funds moving forward, rather than continuing to build up to a 50% reserve. This will decrease the amount of time locals have to wait to receive their full distribution and put these funds to the good government uses they were intended for rather than sitting in a bank account in Indianapolis.

Testimony was provided on Tuesday in support of the amended SB 67 by IACT Legislative Committee Chair, Mayor Scott Fadness of Fishers. While IACT continues to focus on a long term funding mechanism that will increase options for locals and provide additional resources for locals to maintain and preserve our roads, we see SB 67 as the best option to make immediate improvements starting in the summer of 2016.

HB 1001 was heard in committee on Wednesday morning and testimony was provided to support the bill by Mayor Milo of LaPorte, Mayor Cook of Westfield and Mayor McDermott of Hammond. There was actually 5 hours of testimony provided on Wednesday and there is more planned for next week's committee on January 20th when Chairman Soliday plans to vote the bill out of committee. While there is a great deal of debate that will be focused on this bill as it moves through the next 8 weeks, IACT is very supportive of the comprehensive plan and the applicable approach taken for a long term fix.

IACT's Position or Proposed Position: Supportive of increased road funding

IACT Initiative Annexation Scheduled for a Hearing; Other Annexation Bills Filed

[HB 1298 Annexation](#) (Negele, R-Attica)

[HB 1086 Assessment Appeals](#) (Nisly, R-Goshen)

[SB 143 Annexation](#) (Buck, R-Kokomo)

[SB 298 Annexation Involving an Economic Development Projects](#) (Boots, R-Crawfordsville)

Four bills have been introduced dealing with annexation. IACT's initiative bill, HB 1298 authored by Rep. Sharon Negele will be heard in the Government and Regulatory Reform Committee on Tuesday of next week. The bill makes clean-up changes that are needed following the passage of SEA 330-2015. It is likely that HB 1086, which allows the town of Syracuse to annex its industrial park, will be amended into HB 1298. Senator Buck has introduced SB 143 which voids an annexation if any county commissioner objects. The annexation cannot proceed unless a majority of the commissioners pass a resolution approving the annexation. Senator Boots has introduced SB 298 which repeals the law which allows an annexation involving an economic development project to proceed to a court hearing, even if a remonstrance is filed that would otherwise result in voiding the annexation.

IACT's Position or Proposed Position: Oppose SB 143 and SB 298; Support HB 1298 and HB 1086

Three Senate Bills Relating to TIF Have Been Filed

[SB 280 Public Transportation Corporation Funding](#) (Brown, R-Fort Wayne)

[SB 340 TIF District Base Assessed Value](#) (Walker, R-Columbus)

[SB 389 Tax Increment Financing Districts](#) (Bassler, R-Washington)

Three TIF bills have been introduced in the Senate dealing with TIF. SB 280 allows a Redevelopment Commission, with approval of the legislative body, to provide TIF money to a public transportation corporation. SB 340 deals with capturing tax increment when a tax abatement has been offered prior to the creation of the TIF area. SB 389 provides that a taxing unit that is wholly or partly in a newly created TIF area may choose to participate in the TIF area or not.

IACT's Position or Proposed Position: Neutral on SB 280; Concerns about SB 340; Opposed to SB 389

A New Approach to the Dark Stores Appeals Issue

[SB 308 Property Tax Matters](#) (Hershman, R-Buck Creek)

[HB 1290 Assessment of Real Property](#) (Brown, R-Crawfordsville)

Communities all across the state have been afflicted with massive property tax appeals from big-box retailers that are causing holes in municipal budgets and in some cases forcing municipalities to refund tax revenue back several years. The problematic theory with a Dark Stores appraisal is that a property that is currently in use is being valued similarly to a property that is vacant and will not have the same secondary use. A vacant big box retail store is rarely purchased and reused by a similar big box retailer for the same purpose. SEA 436 that was passed in 2015 addressed this issue but there is a concern additional clarification is needed for DLGF and assessors to allow for a successful rebuttal to this type of appeal.

The intent in both SB 308 and HB 1290 is to add language to the current assessment process that will allow appraisers to use a "market segmentation" approach. This language states that the value-in-exchange of an improved property does not reflect the true tax value of the property if a market analysis indicates the property will no longer have a similar use. Basically, the idea is that property should be valued using an apples to apples method.

The market segmentation language will help provide more guidance on the value in current use of a property as well as additional defenses through the property tax appeals process.

IACT's Position or Proposed Position: Supportive of increased road funding

Major Changes Proposed to Public Safety LOIT Distribution

[SB 311 Distributions of Public Safety Income Tax Revenue](#) (Niemeyer, R-Lowell)

[HB 1063 Distributions of Public Safety Income Tax Revenue](#) (Aylesworth, R-Hebron)

For counties that have adopted a public safety LOIT, only the adopting county and the cities and towns within that county are eligible to receive a distribution of the revenue. However, fire departments, volunteer fire departments and EMS service providers in unincorporated areas can already go to the county council and request a distribution of public safety LOIT revenue. If the county council approves this request, cities and towns within the county already don't have a say and will see their public safety LOIT distribution reduced. SB 311 and HB 1063 will make this situation even worse for cities and towns, as the distribution to townships would become mandatory, without any say from even the county council.

If public safety LOIT revenue is taken "off the top" for townships like this, it would result in a revenue shift for the 47 counties that currently impose a public safety LOIT. If these bills are passed, the distribution would be expanded to include another 465 civil taxing units, leading to a \$37.5M revenue shift away from counties, cities and towns.

Neither bill has been scheduled for a hearing to date and the IACT team is working to keep these bills from advancing. Stay tuned!

IACT's Position or Proposed Position: Oppose

[Click for More Bills of Interest](#)

IACT LEGISLATIVE DAY
IS FEBRUARY 17, 2016
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Indiana Association of
Cities and Towns

Upcoming Indiana House & Senate Deadlines:

- January 28: House & Senate Committee Report Deadline
- February 2: House & Senate 2nd Reading Deadline
- February 3: House & Senate 3rd Reading Deadline

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