

# REPLACE DON'T ERASE

BUSINESS PERSONAL PROPERTY TAX



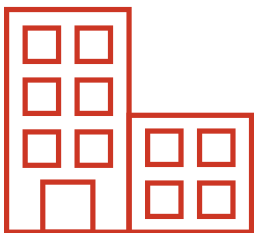
**WHAT IS REPLACE DON'T ERASE?** Replace Don't Erase is an ongoing effort to preserve funding for cities, towns, counties, schools, townships, and libraries at a level that allows these units to continue providing Hoosiers with the quality of life they expect and deserve. Once again, the Indiana General Assembly is considering several provisions that would eliminate a significant portion of the business personal property tax, acts that would eliminate millions of dollars from local governments and hinder their ability to provide services, infrastructure, public safety, and other improvements.



**The Replace Don't Erase coalition opposes all legislation that contemplates eliminating any portion of the personal property tax without permanent FULL replacement guaranteed by the state.** The personal property tax is longstanding and relied upon method for funding local government. Local governments are not asking for the elimination or significant reduction of this funding source. If the state wishes to eliminate or significantly reduce the personal property tax, they need to propose and guarantee a permanent state implemented funding source that does not unduly harm municipal governments and the people we serve. Any contemplated revenue replacement cannot be a temporary band-aid or a partial replacement – it needs to be a source of revenue that continues to grow over time just as a property tax base would in order to allow growing communities to meet the demand for services.

**While creating a state tax credit applied to certain state-related taxes to replace the 30% depreciation floor on existing equipment shows an appreciation for our concerns, the elimination of the depreciation floor on new equipment simply defers the negative impact.** HB 1002 proposes a tax credit on various state taxes to offset what business pay on equipment hitting the 30% depreciation floor. However, by coupling this move with a provision that eliminates the 30% floor entirely for new equipment purchases, the negative financial hit to local units of government is inevitable.

**HB 1002 represents a reduction in business personal property tax revenues in communities all across the state.** For taxing units not at the caps, a reduction in the tax base could result in property owners paying more in residential property taxes. For those communities at the caps, any phase out of the business personal property tax means a loss in revenue for local units of government.



**Indiana ranks in the top 10 for business tax climate in most rankings, with Indiana's property taxation system ranked #1.** This is just one of the recruiting tools necessary for attracting businesses. Growing jobs is about so much more than our tax menu. When companies choose a community, deteriorating parks, failing infrastructure, deferred maintenance on buildings and sidewalks, and cuts in public safety and schools, all speak to the quality of life they and their employees can expect in a city, town, or county. In this economy, if we don't invest in ourselves we will not be the communities where business want to locate and grow.

**Significantly reducing or eliminating the business personal property tax could have a dramatic impact on the ability to repay TIF bonds.** Debt service for general obligation is protected by Indiana's protected tax levy system. This is not the case for bond obligations made using tax increment financing (TIF). Many active TIF bonds throughout the state are backed by property taxes on business personal property. A significant reduction in personal property AV could place the ability to repay TIF bonds in jeopardy if a significant portion of the revenue backing them comes from personal property, a practice that is not uncommon throughout the state.

**Replace Don't Erase!** That's the simple, urgent and critical message to communicate to your lawmakers today! The impact is too great to wait. Reach out now, again next week and all through the session. **If the state wishes to eliminate this tax than we encourage an intense and global discussion about how we fund government at all levels before anything moves forward.**