REPLACE DON'T ERASE

BUSINESS PERSONAL PROPERTY TAX

KEY FACTS

The personal property tax is a 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 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.

You might hear that locals can grow their way out of the revenue loss associated with eliminating a portion of the business personal property tax in HB 1002. While AV continues to grow, so too do costs, necessary services, inflation, and often population. AV grows along with local tax levies so that property tax rates remain similar over time. Reducing the tax base through BPPT reduction will reduce AV growth relative to normal increases in levy and costs. This will raise rates and trigger more tax cap losses that represent a real loss to local governments. **Normal growth is not a replacement mechanism any more than it represents a real windfall for local governments every year.**

The state of Indiana is rightfully proud of their unprecedented surplus. If the state believes this is a necessary tax cut for businesses, it should be funded entirely with state dollars. Again, local units are not requesting this reduction. The legislature shouldn't pull these funds from local coffers, thus increasing taxes for homeowners, without implementing a fair, sustainable state replacement source.