Property Taxes and Local Income Taxes for Indiana Libraries

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A Look at Indiana Libraries

• 244 Library Districts in Indiana
  • Some additional township libraries not included in this data
• Primary sources of income include:
  • Property Tax - ~70% of appropriations
  • Local Income Tax
  • Some State Taxes
  • Fines and Fees
Indiana Local Governments’ Property Tax Levy by Unit Type, 2018

- **Schools, 43%**
- **Counties, 20%**
- **Cities/Towns, 25%**
- **Townships, 3%**
- **Library, 5%**
- **Special Districts, 4%**

**Total Property Tax Levy for All Local Governments = $7.3 billion**

**Total Property Tax Levy for All Libraries = $338 million**
Calculating Unit Tax Rates

Appropriations  –  Miscellaneous Revenue

=  Property Tax Levy

Subject to state
Maximum Levy limits
Calculation of Property Tax Maximum Levy Growth Quotient (AVGQ) 2002 - 2019

Growth Quotient:
Six-year Average Growth, 2-year lag

2-year lag:
2019 Quotient based on 2012-2017 income growth

Dropped for 2019

Annual Growth Rates, Indiana Non-Farm Personal Income (Statewide)
Calculating Unit Tax Rates

\[ \frac{\text{Levy}}{\text{Net Assessed Value}} = \text{Unit Tax Rate} \]
# Library Districts, per person 2018

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Total Appropriations</th>
<th>Property Tax Levy</th>
<th>Net Assessed Value</th>
<th>Average Property Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>38</td>
<td>21</td>
<td>25,246</td>
<td>0.0449</td>
</tr>
<tr>
<td>25%</td>
<td>53</td>
<td>34</td>
<td>33,039</td>
<td>0.0671</td>
</tr>
<tr>
<td>50% (median)</td>
<td>75</td>
<td>48</td>
<td>44,559</td>
<td>0.1098</td>
</tr>
<tr>
<td>75%</td>
<td>109</td>
<td>65</td>
<td>58,221</td>
<td>0.1678</td>
</tr>
<tr>
<td>90%</td>
<td>154</td>
<td>91</td>
<td>78,592</td>
<td>0.2068</td>
</tr>
</tbody>
</table>
Units to Districts

Unit Tax Rates

County
Township
City/Town
School
Library
Special Dist.

District Tax Rate

Tax Bill subject to the Circuit Breaker Tax Caps
Units to Districts

COUNTY
TOWNSHIP 1
TOWNSHIP 2
TOWNSHIP 4
TOWNSHIP 3

COUNTY
TOWNSHIP 1
TOWN
TOWNSHIP 2
TOWNSHIP 4
TOWNSHIP 3

COUNTY
TOWNSHIP 1
TOWN
TOWNSHIP 2
TOWNSHIP 3
TOWNSHIP 4
TOWN
SCHOOL
CORP. WEST
SCHOOL
CORP. EAST

COUNTY
TOWNSHIP 1
TOWN
TOWNSHIP 2
TOWNSHIP 3
TOWNSHIP 4
TOWN
LIBRARY
TOWNSHIP 4
SCHOOL
CORP. WEST
SCHOOL
CORP. EAST
Units to Districts

COUNTY

TOWNSHIP 1

TOWNSHIP 2

TOWNSHIP 3

TOWNSHIP 4

SCHOOL CORP. WEST

SCHOOL CORP. EAST

LIBRARY

TOWN

1 2 3 4 5

6 7 8 9 10
### 10. STATEWIDE PERCENTILES FOR DISTRICT TAX RATES, 2018

#### District Tax Rates, 2018

<table>
<thead>
<tr>
<th>Percentile</th>
<th>All Districts</th>
<th>City/Town Districts</th>
<th>Rural Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>1.3014</td>
<td>1.7486</td>
<td>1.1753</td>
</tr>
<tr>
<td>25%</td>
<td>1.5557</td>
<td>2.1311</td>
<td>1.3951</td>
</tr>
<tr>
<td>50% (median)</td>
<td>1.9729</td>
<td>2.6592</td>
<td>1.6467</td>
</tr>
<tr>
<td>75%</td>
<td>2.6872</td>
<td>3.3517</td>
<td>1.9475</td>
</tr>
<tr>
<td>90%</td>
<td>3.4828</td>
<td>4.1167</td>
<td>2.3731</td>
</tr>
</tbody>
</table>

**Median Library rate: 0.1098**
Tax Caps in the Indiana Constitution

Article 10, Section 1, Parts f, g, h

Tax caps limit tax bills to percentages of gross assessed value

1% Homestead
2% Other Residential/Farmland
3% Business Real/Personal

Taxes passed by referendum are exempt from caps

Lake and St. Joseph Counties get ten years to adjust
Tax Cap Credits as Percent of Gross Levy, by Unit Type, 2018

- All Units: 10.7%
- Counties: 7.6%
- Townships: 10.1%
- Cities/Towns: 17.7%
- School Corps.: 8.0%
- Libraries: 11.2%
- Special Dists.: 13.3%
<table>
<thead>
<tr>
<th>Percentile</th>
<th>Tax Cap Credits</th>
<th>Tax Caps as % of Levy</th>
<th>Per Capita Caps</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>276</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>25%</td>
<td>1,603</td>
<td>1%</td>
<td>0</td>
</tr>
<tr>
<td>50%</td>
<td>8,202</td>
<td>3%</td>
<td>1</td>
</tr>
<tr>
<td>75%</td>
<td>58,419</td>
<td>9%</td>
<td>4</td>
</tr>
<tr>
<td>90%</td>
<td>239,894</td>
<td>18%</td>
<td>8</td>
</tr>
</tbody>
</table>
## Indiana’s Local Income Taxes

<table>
<thead>
<tr>
<th>LIT Rate</th>
<th>Max Rate</th>
<th>Purpose</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property tax relief</td>
<td>1.25%</td>
<td>Reduce property taxes with tax bill credits</td>
<td>Replaces property tax credits for local units as needed</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td>Under the Expenditure maximum</td>
<td>Added revenue for public safety functions.</td>
<td>Counties, cities and towns, other units optional</td>
</tr>
<tr>
<td>Economic Development</td>
<td>Under the Expenditure maximum</td>
<td>Added revenue for economic development projects</td>
<td>Counties, cities and towns</td>
</tr>
<tr>
<td>Certified shares</td>
<td>Under the Expenditure maximum</td>
<td>Added revenue for general purposes.</td>
<td>Civil taxing units (not schools)</td>
</tr>
<tr>
<td>County jails</td>
<td>Up to 0.2% under the Expenditure maximum</td>
<td>Added revenue for county correctional and rehabilitational facilities</td>
<td>Counties only, distributed before the remainder of the expenditure rate</td>
</tr>
<tr>
<td>Special purposes</td>
<td>Set by special legislation</td>
<td>Purpose identified in special legislation</td>
<td>Identified by legislation.</td>
</tr>
</tbody>
</table>
Indiana Local Income Tax Rates, 2018

Total LIT Rate
- Less than 1.25%
- 1.25% to 1.75%
- 1.75% to 2.50%
- 2.50% or More
Indiana Local Income Tax Rates for Certified Shares, 2017

Certified Share Rates
- No Cert Share Rate
- Less than 1%
- 1%
- More than 1%
Indiana Local Income Tax Rates for Property Tax Relief, 2018

Property Tax Relief Rates
- No Rate
- Less than 0.25%
- 0.25% to 0.75%
- 0.75% or More
### JACKSON COUNTY HOMESTEAD TAX BILLS, SELECTED DISTRICT, 2018

<table>
<thead>
<tr>
<th></th>
<th>Brownstown Town</th>
<th>Brownstown Town</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Assessed Value</strong></td>
<td>105,000</td>
<td>210,000</td>
</tr>
<tr>
<td><strong>Homestead Standard Deduction</strong></td>
<td>45,000</td>
<td>45,000</td>
</tr>
<tr>
<td><strong>Remainder</strong></td>
<td>60,000</td>
<td>165,000</td>
</tr>
<tr>
<td><strong>35% Supplemental Homestead Deduction</strong></td>
<td>21,000</td>
<td>57,750</td>
</tr>
<tr>
<td><strong>Mortgage Deduction</strong></td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Taxable Assessed Value</strong></td>
<td>36,000</td>
<td>104,250</td>
</tr>
<tr>
<td><strong>District Tax Rate</strong></td>
<td>2.6673</td>
<td>2.6673</td>
</tr>
<tr>
<td><strong>Gross Tax Bill</strong></td>
<td>960</td>
<td>2,781</td>
</tr>
<tr>
<td><strong>Total LIT Credit Rate</strong></td>
<td>15.29%</td>
<td>15.29%</td>
</tr>
<tr>
<td><strong>LIT Credits</strong></td>
<td>147</td>
<td>425</td>
</tr>
<tr>
<td><strong>Tax Bill after LIT Credits</strong></td>
<td>813</td>
<td>2,356</td>
</tr>
<tr>
<td><strong>Tax Cap Rate</strong></td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Tax Cap</strong></td>
<td>1,050</td>
<td>2,100</td>
</tr>
<tr>
<td><strong>Tax Cap Credit</strong></td>
<td>-</td>
<td>256</td>
</tr>
<tr>
<td><strong>Net Tax Bill</strong></td>
<td>813</td>
<td>2,100</td>
</tr>
</tbody>
</table>

These are examples of homestead tax bills. Gross assessed value based on average homes assessed value in the county, and double that value.
Brownstown Example Homeowner Tax Bill Divied up Among Units

<table>
<thead>
<tr>
<th></th>
<th>Tax Rate</th>
<th>% of Total Tax Rate</th>
<th>Brownstown Town-Median Priced Home</th>
<th>Brownstown Town-High Valued Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>0.468</td>
<td>17.5%</td>
<td>142.65</td>
<td>368.46</td>
</tr>
<tr>
<td>City/Town</td>
<td>1.0614</td>
<td>39.8%</td>
<td>323.52</td>
<td>835.65</td>
</tr>
<tr>
<td>School</td>
<td>0.9212</td>
<td>34.5%</td>
<td>280.78</td>
<td>725.27</td>
</tr>
<tr>
<td>Library</td>
<td>0.1028</td>
<td>3.9%</td>
<td>31.33</td>
<td>80.94</td>
</tr>
<tr>
<td>Other</td>
<td>0.1139</td>
<td>4.3%</td>
<td>34.72</td>
<td>89.67</td>
</tr>
<tr>
<td>Total</td>
<td>2.6673</td>
<td></td>
<td>813</td>
<td>2100</td>
</tr>
</tbody>
</table>
Takeaways

- Libraries are a small share of the total property tax, but property tax is the lion’s share of libraries budgets.

- Libraries overlapping high tax rate districts will have the most tax cap credit losses. Libraries that overlap cities or towns often have higher tax rates.

- Libraries share with other local units in the LIT for property tax relief and certified shares.
Indiana’s 12-Step Property Tax Program

1. Property Tax Levy = Appropriations – Miscellaneous Revenue
2. Levy growth limited by Maximum Levy Growth Quotient
4. Levy divided by Net Assessed Value = Unit Tax Rate (per $100 Net AV)
5. Sum Unit Tax Rates in a Taxing District = District Tax Rate
6. District Tax Rate x Owner’s Net Assessed Value = Gross Tax Bill
7. Gross Tax Bill – LIT Credits = Net Tax Bill
8. Calculate Circuit Breaker Tax Cap Amount as 1% or 2% or 3% of Gross Assessed Value, depending on property type
9. Compare Net Tax Bill to Tax Cap Amount
10. If Net Tax Bill is <= Tax Cap Amount, Final Tax Bill = Net Tax Bill
11. If Net Tax Bill is > Tax Cap Amount, subtract Tax Cap Credit, so Final Tax Bill = Tax Cap Amount
12. For all taxpayers, allocate Final Tax Bill and Tax Cap Credits among Units based on shares in Unit Tax Rates
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