

Fiscal Health Indicators: Local Income Taxes

File: Income Tax Data.xlsx

Description:

Counties have the ability to impose local income taxes on their residents or employees working within the county as a way to generate additional revenue for local governments or to provide for property tax credits for taxpayers. At this time, all 92 counties impose at least one of the available local option income tax (LOIT) options. The LOITs which provide for funding for local governments are as follows:

- County Option Income Tax (COIT) – Schools are not eligible to receive COIT revenues.
- COIT Public Safety – This income tax is a form of COIT but is to be spent specifically on public safety expenditures. Counties, cities and towns are automatically eligible to receive COIT Public Safety, but a county can choose to allow other local governments to also receive a portion of the revenue. Because of this, the COIT Public Safety values presented here are estimated only, as the Department has not factored in local decisions to provide COIT Public Safety revenues to other local governments.
- County Economic Development Income Tax (CEDIT) – Originally earmarked for economic development expenses, CEDIT revenues can now be spent for many general governmental purposes. Counties, cities, and towns are eligible to receive CEDIT revenues.
- County Adjusted Gross Income Tax (CAGIT) – CAGIT is divided into two parts. The first part is commonly referred to as “shares” and represents revenue flowing directly to the local governments for operational uses. Schools are not eligible to receive CAGIT shares. The second part is known as Property Tax Replacement Credit (PTRC). PTRC acts to reduce a local government’s property tax levy by the amount of PTRC revenue available to the local government. Schools are eligible to receive PTRC.
- CAGIT Public Safety – This income tax is a form of CAGIT but is to be spent specifically on public safety expenditures. Counties, cities and towns are automatically eligible to receive CAGIT Public Safety, but a county can choose to allow other local governments to also receive a portion of the revenue. Because of this, the CAGIT Public Safety values presented here are estimated only, as the Department has not factored in local decisions to provide CAGIT Public Safety revenues to other local governments.
- Levy Freeze – Certain counties have chosen to freeze growth in their property taxes and replace this growth with income tax revenue. This may have been done for only a period of years or it may still be ongoing. Levy freeze does not apply to school corporations within these counties.
- Special Legislation – The Indiana General Assembly has authorized a number of special legislation LOITs for specific counties and purposes. These purposes are typically of county-wide benefit, such as the construction or operation of a county jail. Therefore, all special legislation revenue has been attributed to the county government within the applicable county.

In addition to these LOITs, counties can also adopt LOITs which serve to reduce taxpayer liability by providing credits. These LOITs are not accounted for in the indicators as they do not provide funding directly to local governments.

Fiscal Health Indicator:

LOIT Distributions by Type

This indicator provides the total calculated distributions for a local government by LOIT type.

Source: Income Tax Distributions (<http://in.gov/dlgf/2339.htm>), State Budget Agency LOIT Certifications (<http://in.gov/sba/2587.htm>)

Fiscal Health Indicator:

LOIT Distributions per Capita

This indicator provides LOIT distributions per capita for a local government. All of the LOIT distribution types identified above are included in this calculation. LOIT distributions per capita can vary significantly based on the number of LOITs and their associated rates imposed within a local government's county. As some LOITs are meant to reduce property taxes, it is possible that higher LOIT distributions per capita could indicate lower property taxes per capita. This indicator should be reviewed in context with other revenue per capita indicators to gain a more complete picture of a local government's revenue and its dependency on LOIT revenue for funding its operations.

Source: Income Tax Distributions (<http://in.gov/dlgf/2339.htm>), State Budget Agency LOIT Certifications (<http://in.gov/sba/2587.htm>)

Further Resources:

- Local Option Income Tax Handbook: <http://in.gov/dor/files/loit-handbook.pdf>
- State Budget Agency LOIT Certifications: <http://in.gov/sba/2587.htm>
- Income Tax Distributions: <http://in.gov/dlgf/2339.htm>