

Fiscal Health Indicators: Property Tax Cap

File: Property Tax Cap as Percent of Levy.xlsx

Description:

Local governments that collect property taxes may be impacted by the application of property tax caps. Property tax caps limit the amount of an individual tax bill to a percent of the gross assessed value. For owner-occupied homestead properties, the tax bill cannot exceed 1% of the gross assessed value of the property. For other residential properties, long term care facilities and agricultural land, the tax bill cannot exceed 2% of the gross assessed value. The tax bills on all other real property and all personal property are restricted to 3% of the gross assessed value. In addition, there is an additional property tax cap known as the Over 65 property tax cap. The Over 65 property tax cap is dependent on the age and income of the taxpayer and changes in the tax bill from year to year.

When a tax bill reaches the applicable property tax cap, any additional tax liability above the property tax cap is credited to the taxpayer and is no longer due by the taxpayer. This credit results in a loss to local governments as the full property tax levy is unable to be collected.

Fiscal Health Indicator:

Property Tax Cap as Percent of Certified Levy

- Property Tax Cap – The sum of the property tax caps attributable to the local government across all of its funds.
- Certified Levy – The amount of property taxes the local government is authorized to charge to its taxpayers as approved by the Department in the budget order.

Local governments with a large percent of the certified levy being lost to property tax caps may experience funding issues as the government's property tax revenue would be reduced.

Source: 2013 and 2014 Certified Levy Data from the Department's Budget Orders (<http://in.gov/dlgf/2339.htm>), 2013 and 2014 Impact of the Property Tax Caps report (<http://in.gov/dlgf/8379.htm>).