
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

TO: County, City, and Town Officials

FROM: Fred Van Dorp, Budget Director

DATE: July 25, 2023

SUBJECT: Local Income Tax Templates, Pre-Review, Submission Procedures
Ind. Code § 6-3.6

This is a revision of the March 2, 2023 memorandum to include legislative changes made by the General Assembly in House Enrolled Act 1454-2023 (“HEA 1454”). A summary of those changes can be found in this memorandum: [Legislation Affecting Local Income Taxes](#). This supersedes the March 2, 2023 memorandum on the same subject matter.

The Department of Local Government Finance (“Department”) issues this memorandum, which applies to the release of templates for the public notices, ordinances, resolutions, and general procedural requirements associated with the administration of the Local Income Tax (“LIT”) under Ind. Code § 6-3.6. This memo supersedes all previous memoranda on the subject. This memo does not take the place of Indiana law. The Department and all local units of government are bound to due dates and responsibilities as outlined in the law. In the event, any part of this memorandum conflicts with Indiana law, Indiana law governs.

If you have any additional questions about local income tax, please contact your [Budget Field Representative](#).

LIT SUBMISSIONS

The county auditor shall record all votes taken on any LIT ordinances presented for a vote and not more than 10 days after the vote, then submit the LIT change to the State via the budget application in Gateway. Additional instructions about submitting LIT changes can be found on the [Department’s website](#).

Ind. Code § 6-3.6-3-2(d) requires the county to submit the following documents:

1. Notice of Public Hearing
2. Adopting ordinance or resolution
3. Vote results on ordinance or resolution

New Requirement under HEA 1454:

Per Sections 77 and 78 of HEA 1454, beginning on July 1, 2023, the county adopting body must notify the Department and the Department of Revenue of the following:

1. Confirmation of direct notice made to all taxing units impacted by LIT prior to August 1.
2. Confirmation of direct notice made to all taxing units impacted by LIT change within 15 days of passage of the ordinance.

This notice is not the same as the public notice required under Ind. Code § 6-3.6-3-7(b) (for local income tax councils) and Ind. Code § 6-3.6-3-7.5(b) (for county councils). It is also not the same as the direct notice to be given to the impacted taxing units. Incomplete or improperly submitted documents will not be considered by the Department and may delay the implementation of a county's LIT change.

EFFECTIVE DATES FOR RATE AND DISTRIBUTION CHANGES

Ind. Code § 6-3.6-3-3 outlines the relationship between when the appropriate body adopts a LIT change and when the new rates will become effective.

An ordinance that adopts, increases, decreases, or rescinds a tax or takes effect as follows:

- (1) An ordinance adopted after December 31 of the immediately preceding year and before September 1 of the current year takes effect on October 1 of the current year.
- (2) An ordinance adopted after August 31 and before November 1 of the current year takes effect on January 1 of the following year.
- (3) An ordinance adopted after October 31 of the current year and before January 1 of the following year takes effect on October 1 of the following year.

An ordinance that grants, increases, decreases, rescinds, or changes a credit against the property tax liability of a taxpayer takes effect as follows:

- (1) An ordinance adopted after December 31 of the immediately preceding year and before November 2 of the current year takes effect on January 1 of, and applies to property taxes first due and payable in, the year immediately following the year in which the ordinance is adopted.
- (2) An ordinance adopted after November 1 of the current year and before January 1 of the immediately succeeding year takes effect on January 1 of, and applies to property taxes first due and payable in, the year that follows the current year by two (2) years.

An ordinance that grants, increases, decreases, rescinds, or changes a distribution or allocation of taxes takes effect as follows:

- (1) An ordinance adopted after December 31 of the immediately preceding year and before November 2 of the current year takes effect January 1 of the year immediately following the year in which the ordinance is adopted.
- (2) An ordinance adopted after November 1 of the current year and before January 1 of the immediately succeeding year takes effect January 1 of the year that follows the current year by two (2) years.

New Requirement under HEA 1454:

Per Section 75 of HEA 1454, effective July 1, 2023, an ordinance changing the LIT rate or the allocation of LIT revenue does not take effect if the county adopting body fails to provide notice to impacted units. In such case, the adopted ordinance does not take effect, and until a subsequent ordinance is adopted and the required notice is given to impacted units, the tax rate or allocation shall be the lesser of

- (1) the applicable distribution schedule for certified distribution for the upcoming calendar year; or
- (2) the applicable distribution schedule for certified distribution for the current calendar year.

The subsequent ordinance is subject to applicable statutory deadlines as of the date it is adopted.

LIT TEMPLATES

To assist counties in increasing, decreasing, or modifying their existing LIT configurations, the Department has created sample resolutions/ordinances that a county may use. The templates were created to accommodate for many of the more common LIT configurations that a county may consider. As such, there may be sections on the templates that are not applicable in certain instances.

The templates have been updated to include HEA 417-2023 which allows for the adoption of a tax rate for county staff expenses of the state judicial system in the county. The tax rate must be in increments of one-hundredth of one percent (0.01%) and may not exceed two-tenths of one percent (0.2%). The local income tax revenue budgeted and spent may not comprise more than fifty percent (50%) of the county's total budgeted operational staffing expenses related to the state judicial system in any given year.

LIT PRESUBMISSION REVIEW

As per Ind. Code § 6-3.6-3-2, before officially starting a LIT change, an adopting body or governmental entity *may* submit a draft of the proposed notice, ordinance, or resolution to the Department for a preliminary review. The Department shall provide the submitting entity a written determination of the appropriateness of the notice, ordinance, or resolution, including recommended modifications, within 30 days of receipt. Presubmission requests should be submitted directly to your [Budget Field Representative](#).