IGA 2025 LEGISLATIVE SESSION
SENATE ENROLLED ACT 1 MEMORANDUM
CITY OF BLOOMINGTON
May 14, 2025

The purpose of this memo is to summarize Senate Bill 1 from the 2025 Indiana Legislative Session. Senate Bill 1 was signed by Governor Braun on April 15, 2025; now Senate Enrolled Act 1.

Who Are We?

- I am Eric Reedy, CPA and President, Reedy Financial Group PC
- I've been a municipal financial advisor for over 32 years
- We provide services to cities, towns, counties, townships, schools, and special districts across Indiana

Brief Historical Context

- Circuit breaker, passed in 2008, now in the Indiana constitution. This law already provided large property tax relief.
  - o Even though this is the law of Indiana, not many, including legislators, have a good understanding of the circuit breaker.
  - o 1% cap on homesteads ($100,000 home, cap on property tax bill $1,000).
  - o 2% cap on non-homestead residential, ag, long-term care
  - o 3% all other including commercial/industrial/personal property
- Net Assessed Valuation or tax base = approximately $5.5 billion.
- City Property Tax Rate = $0.8627

Senate Enrolled Act 1 Adjustments to Property Taxation

- 1% property adjustments
  - o Homestead deduction adjusts to a flat 66.7% by 2031
    - $100,000 home, almost a 1% decrease in the deduction
    - $500,00 home, a 23% increase in the deduction by 2031
- 2% property adjustments
  - o NEW, phases in by 2031 a 33% deduction (includes non-homestead residential, agricultural and long-term care)
- 3% property adjustments
  - o Increase the exemption threshold for BPP from $80,000 to $2 Million
  - o For new BPP placed in service after July 1, 2025, removal of the 30% floor.

- NEW property tax credits
  - $150 for all homeowners 65 and over (applies after all credits)
  - $125 for disabled homeowners (applies after all credits)
  - Lesser of 10% or $300 of gross tax bill for all primary homesteads (applies after all credits)

Senate Enrolled Act 1 Adjustments to Local Income Taxation

- ELIMINATES existing LIT system, except special purpose rates beginning in 2028, and replaces the system with:
  - City controlled rate
    - Up to 1.2% for the City
  - County controlled rates:
    - Up to 1.2% for the County
    - IMPORTANT: Up to 0.4% for units providing FIRE/EMS
      - This would primarily be the City (49.4% of total County NAV) and the Monroe County Fire District (35.5% of total County NAV)
    - Up to 0.2% to non-municipal units
    - Combination of the County controlled rates can't exceed 1.7%
    - Also up to 1.2% for a city/town with a population under 3,500

Other Senate Enrolled Act 1 Impacts

- TIF
  - Existing assets grandfathered from the elimination of the 30% floor
  - BPP obligated to debt service in existing TIF allocation areas not subject to 30% floor.
- Debt Controls
  - Places limitations on short term debt (5 years or less), subject to a one year cooling off period
  - Places a rate cap of $.25 on City debt. Current city debt rate, $.1413
- Budget procedures
  - Requires one additional budget public hearing where only tax rate and budget to be discussed.

Senate Enrolled Act 1 - City Impact Projections

- Phases from 2026 to 2032
- $6 million (8.1% decrease) loss in property taxes at full implementation in 2032
- $7.42 million (16.3% decrease) loss in income taxes compared to current system
  - Total loss in revenue (property tax and income tax) under the city control $13.42 million
- IMPORTANT. Fire/EMS LIT to the City under the County control $11.66 million.
- COMBINED Senate Enrolled Act 1 revenue impact at full implementation in 2032, $1.85 million loss or 1.5%.
  - 1% taxpayers (homeowners) projected to pay around $6.3 million less in property taxes
  - Current LIT rate is 2.11% (not including special purpose of .03%)
  - At a 2.9% NEW LIT (max rate), income earners projected to pay $33.5 million additional LIT over 2025
  - Total SB 1 impact is an increase of combined taxes of $27.2 million ($33.5 million LIT increase, $6.3 million property tax decrease)

- Gain would go primarily to County; meaning they don't need a 1.2% LIT rate to break even, while the City is short on revenue by 1.5%.
- Further analysis is needed.

SEA 1 Model

The City's specific impacts were modeled as follows:

- Used 2023 Pay 2024 Parcel Data – this is every parcel that existed within the City's corporate boundaries during the 2023 assessment year
- Calculated and applied the 5-year (2021-2025) gross assessed value growth trend for 1%, 2%, 3%, and Personal Property types for all parcels for all projected years
  - Example: 1% properties average 9% growth, we applied 9% growth (rounded up) to all 1% properties each year
  - Note: gross av does not equal net av for parcels that have deductions/exemptions
- Assumed a 4% maximum property tax levy growth quotient for all projected years
  - 2026 is capped at 4%
  - Statewide Formula is currently closer to 5% if left alone by General Assembly
- Assumed level rates for all cumulative funds – if a unit's rate was $0.0500 for CCD, for instance, we carried that forward for all projected years
- Assumed level debt rates for all units within tax districts where ensuing year assessed value is projected higher than prior year and assumed level debt levies for all units with tax districts where assessed value is projected lower than prior year
- Integrated all SEA 1 impacts for all parcels:
  - Phase-in of supplemental homestead deductions – up to 66.67% by 2031 and phase-down of standard deduction – down to $0 by 2031
  - Phase-in of standard deduction for all 2% property – up to 33% by 2032
  - Elimination of business personal property net assessed value for all businesses at or below the $2 million exemption threshold: starting 2027
    - This is based on acquisition cost of all business personal property assets of a given taxpayer; we used net assessed value of a given taxpayer to be conservative (we likely overstated the reduction of net assessed value)
  - Elimination of other homeowner deductions
    - Over 65
    - Blind/Disabled
    - All energy related deductions (geothermal, solar, etc.)
  - Introduction of new homeowner credits beginning 2026
    - Over 65
    - Blind/Disabled
    - Standard for all homeowners – lesser of 10% of circuit breaker adjusted tax due or $300
    - Note: all new credits are calculated post circuit-breaker
      - Example: taxpayer owes $1,500 adjusted for circuit breaker and will receive the Standard Credit of $150 (10% x $1,500) = $1,350 net tax bill
- Local Income tax projections assume 3% annual growth of total LIT available for all units
- Local income tax base for SEA 1, 2028, determined as follows:
  - 2020 US Census Avg Household Income of $60,888 x occupied housing units of 33,204 = 2020 taxpayer adjusted gross income of $2,021,725,152 within City

- Divided by 2020 AGI for all of Monroe County of $3,461,871,747
- Equals 58.4% of AGI attributable to City
- Times 2025 Total County AGI of $4,408,022,336
- Equals $2,574,274,924 City AGI projection
- Times 1.2% City Controlled LIT Rate under SEA 1 = $30,891,299
- Times 3 years of growth @ 3% (since we are using 2025 as the base year) = **$33,755,757 – City 2027 LIT Projection w/out Fire/EMS**
- **Fire/EMS City Share**
  - $4,408,022,336 Total County AGI x 0.04000
  - Equals $17,632,089 2025 base year Fire/EMS projection
  - City would receive approximately 53.8% of total, given population and square miles of City compared to other units with Fire/EMS
  - **$**17,632,089 x 1.03^3 x 53.8% **= $10,360,247 - 2028 City Distribution Projection**

Disclaimers: Opinions, information, and statements made by Reedy Financial Group, PC, do not and are not intended to constitute legal advice. Reedy Financial Group, PC, gives no reasonable assurance for assumptions and projections contained herein.

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