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PRESS RELEASE

CONTACTS: Lisa Travis, Team Leader, CAA Network Support, 317-638-4232 or 502-608-5347, ltravis@incap.org

Jessica Fraser, Research and Policy Analyst, 317-638-4232 or 260-438-3659, jfraser@incap.org

INDIANA PROPERTY TAX CAPS: SHOULD THEY BE IN THE CONSTITUTION?

Indianapolis, IN – The Indiana Institute for Working Families released a policy brief, *Indiana Property Tax Caps: Using Dollars and Sense to Make the Right Decision*, which examines the property tax restructuring legislation, and discusses whether a key component of the property tax restructuring — the caps — should be placed in the State’s constitution.

“Property taxes are a real hot button issue. We want all Hoosiers to be educated about the issue when they vote this fall,” said Lisa Travis, Team Leader of CAA Network Support.

In March 2008, the Indiana General Assembly enacted legislation overhauling the State’s property tax system. The purpose of the “1-2-3” legislation as it has come to be known, was to cap property taxes for homeowners, rental property owners, and businesses at 1%, 2 %, and 3% of assessed value, respectively. In 2009, the caps were in the process of being phased-in and were set at 1.5%, 2.5%, and 3.5%. Under the 2009 caps, 2.7% of all property tax cap credits were distributed to homeowners with the vast majority of the tax cap credits (97.3%) being given to owners of rental properties and businesses taxed under 2.5% and 3.5% caps.

Beginning in 2010, the 1%, 2%, and 3% caps will be in full effect, which means the use of the tax cap credits could change dramatically in 2010. A March 2009 analysis, by the Indiana Legislative Services Agency (LSA), estimates that the cost of the *homestead tax caps could grow by nearly 600%* when the homeowners’ cap is tightened from 1.5% to 1%.³

While property taxes were reduced for many Hoosier homeowners, these tax cuts were paid for through an increase in the state’s sales tax and the elimination of a number of existing property tax relief mechanisms. As a result, renters are shouldering a large portion of the cost of property tax relief for homeowners. One estimate found that as many as 60% of Indiana renters would pay *more* in taxes under the restructuring, while close to 80% of homeowners would pay *less*.

The next stage of the property tax debate requires deciding whether or not to place the tax caps in the State constitution. Voters will have their say at the polls this November. However, the property tax caps are already in Indiana state statute. Adding the caps to the constitution will not result in increased property tax cuts for homeowners. Instead, it will tie the hands of future Hoosiers and their representatives to adjust the property tax caps in times of economic distress (as it takes two legislative sessions to remove an amendment from the State constitution).

“The full impact of the caps on local services such as schools, fire and police protection, and

road maintenance will not be clear until much later. Protecting these untested provisions from future alteration is unnecessary and irresponsible,” said Lisa Travis, Team Leader of CAA Network Support.

To view the policy brief in its entirety, please visit www.incap.org.

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Indiana Community Action Association (IN-CAA)

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA’s members or Network is comprised of Indiana’s 24 Community Action Agencies (CAAs), which serve all of Indiana’s 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low income individuals attain self sufficiency.

Indiana Institute for Working Families

The Indiana Institute for Working Families, a program of the Indiana Community Action Association (IN-CAA), was founded in 2004 with generous support from The Joyce Foundation. The goal of the Institute is to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies and programs impacting low-income working families with education and outreach. The Institute achieves its work by focusing its activities in the following areas: public policy research and analysis; advocacy, education, and information; and national, statewide, and community partnerships.