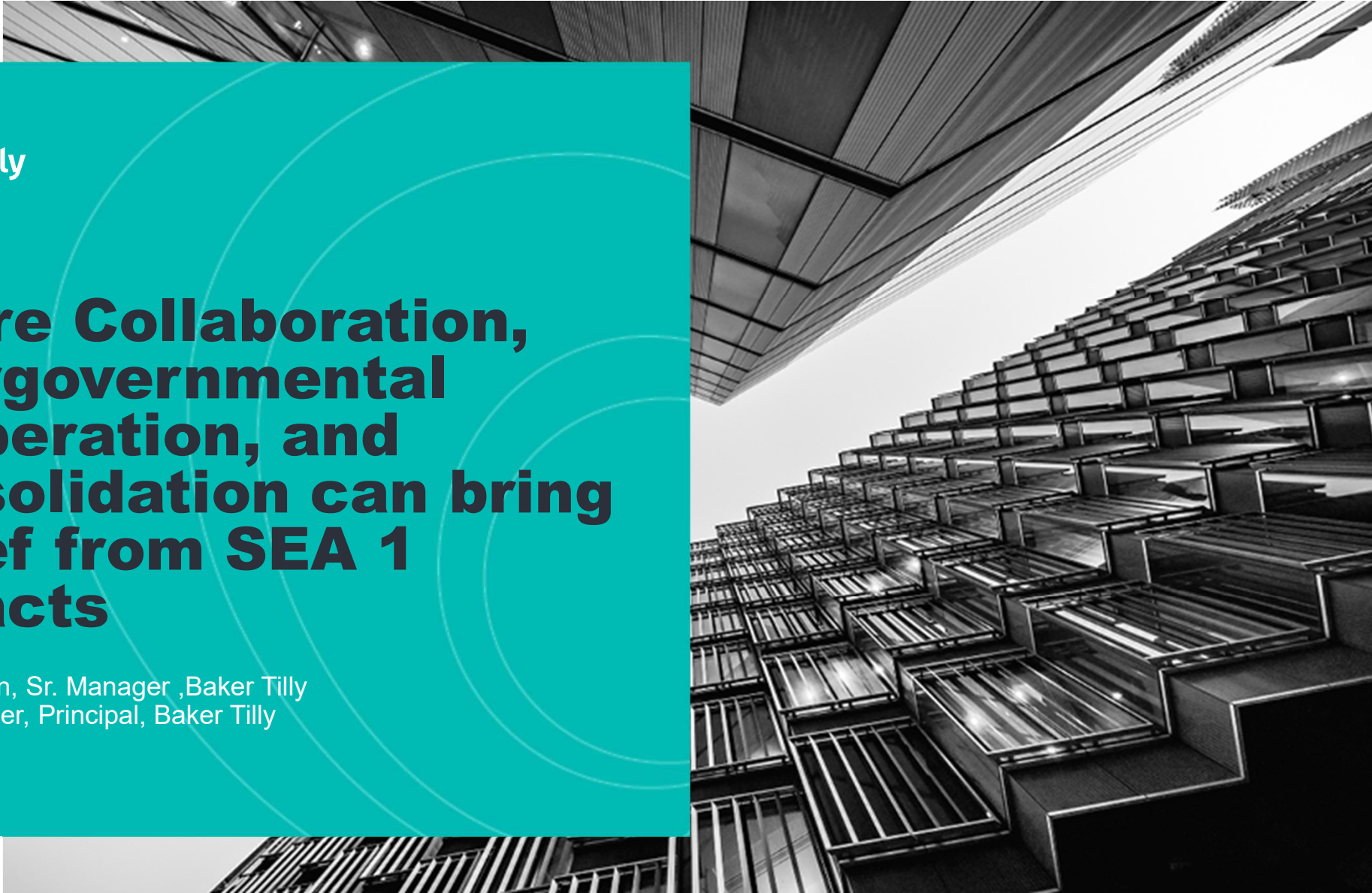




Where Collaboration, Intergovernmental Cooperation, and Consolidation can bring Relief from SEA 1 Impacts

Susan Cowen, Sr. Manager, Baker Tilly
Brock Bowsher, Principal, Baker Tilly



Agenda Topics

1. Summary of SEA1 Impacts
2. Collaborative Opportunities
 - Shared services
 - Shared revenue
3. Consolidation
4. Case studies



Summary of SEA1 Impacts

Main areas of change affecting property taxes and income taxes in SEA 1-2025

- Property taxes
 - Increased automatic deductions based on property classification
 - Increased the *de minimis* business personal property exemption
 - Changed the calculation methodology for the agricultural land base rate
 - Elimination of the Property Tax Relief Local Income Tax
 - Property tax levy growth - limited the maximum levy growth quotient for 2026
- Income Taxes
 - Local income tax structure change effective taxes payable 2028



LEGISLATIVE HIGHLIGHTS

Setting the Scene – Timeline of Changes

2025

- MLGQ for 2026 budget capped at 4%
- County Council may adopt a LIT Expenditure Rate to fund homestead property tax credits
- New controlled project/referendum thresholds for property tax debt effective 7/1/2025

2026

- Year 1 of phasing in of new homestead deduction formulas and new 2% property assessment deduction
- BPP placed in service as of 1/1/2026 exempt from 30% depreciation floor
- BPP *de minimis* exemption amount increase to \$2 million for 1/1/2026 assessment
- MLGQ formula for 2027 budget year reverts to current formula
- Elimination of Excess Levy Appeal mechanism for growing communities

2027

- Year 2 of phasing in of new homestead deduction formulas and new 2% property assessment deduction
- Final year of LIT distributions under current structure
- Counties and eligible municipalities may adopt LIT under new structure

2028

- Year 3 of phasing in of new homestead deduction formulas and new 2% property assessment deduction
- First year of LIT distributions for eligible entities under new structure
- Expiration of LIT for Property Tax Replacement, which eliminates the LIT-funded property tax replacement credit for property taxpayers in applicable communities



Setting the Scene – Timeline of Changes (cont'd)

2029

- Year 4 of phasing in of new homestead deduction formulas and new 2% property assessment deduction
- New procedural requirements for budget year 2030 decisions on increases for property tax rates/levies

2030

- Year 5 of phasing in of new homestead deduction formulas and new 2% property assessment deduction

2031

- Year 6 (final year) of phasing in of new homestead deduction formulas and new 2% property assessment deduction
- LIT rates adopted under new LIT structure expire 12/31/2031 absent adopting body approval of a readoption ordinance in 2031



Local Income Tax

	Implementation beginning in 2028 (2027 Adoption Year)	Rate Adoption
County Services	1.2%	County Council
Fire Protection & EMS Services	0.4%	County Council
Non-municipal units (townships, libraries, and binding review units with exceptions)	0.2%	County Council upon petition from non-municipal units
Municipalities <3,500 population general revenue	1.2%	County Council upon petition from municipal units
Municipalities = >3,500 population general revenue	1.2%	Municipalities

- Establishes maximum LIT expenditure rate at 2.9%
- County services, Fire/EMS, and Non-municipal rates combined may not exceed 1.7%
- Non-municipal – for any given unit type, rate may not exceed .05%
- Requires annual adoption to renew expenditure rate beginning in 2031
- Eliminates Local Income Tax (LIT) for Property Tax Replacement Credit (PTRC) beginning in 2028
- Special Purpose LIT remains
- Eliminates Local Income Tax Councils



Road Funding

- **Reduces the percentage that counties and municipalities are required to allocate to MVH Restricted from 50% to 40% under the condition that both of the following criteria are met:**
 - The average pavement quality (PASER) ratings are a minimum of 6 in the previous calendar year, and
 - No more than 15% of the highways are classified as being in failed condition.
- **Community Crossings Matching Grant (CCMG)**
 - Lowers the local match obligation from 25% to 20% for:
 - Counties with populations below 50,000
 - Municipalities with populations under 10,000
 - While adopting a wheel tax is not mandatory to access CCMG funds, local units are encouraged to implement the tax to be eligible for an extra distribution based on total lane mileage.
- **Clarifies that a municipality is liable for maintaining a bridge located within its corporate limits if it is less than twenty (20) feet in length and not part of the state highway system. (This could lead to reduced county expenses for bridge maintenance.)**



Future Funding Constraints



Little “new money” for
Education Fund



Operations growth
constrained by tax credits



LIT funding ends in 2028,
reducing revenue

Limited growth and looming revenue losses challenge school funding stability.





Key Risk Indicators – Quantifying Impact



Charter Share



Net Assessed
Valuation



Supplemental
Homestead Credit



Local Income Tax /
Property Tax
Replacement Credits



Circuit Breaker



Total Net Levy



Collaborative Opportunities



COLLABORATIVE OPPORTUNITIES

Benefits of local government collaboration

Cost efficiency	Lower operational costs and better resource utilization
Improved service delivery	Reduce response times and equalize the quality of service
Access to funding	Regional partnership programs (READI) open access to substantial funding opportunities
Strategic planning	Aligned planning promotes coordinated investments in transportation, housing, and infrastructure improvements
Innovation and capacity building	Sharing expertise and best practices enables the creation of innovative solutions
Community engagement	Enhances community involvement and promotes transparency
Emergency preparedness	Efficient resource deployment and improved crisis communication



Collaborative opportunities

Shared Services

- **Public Safety:** Joint police, fire, or emergency medical services across municipalities.
- **Public Works:** Shared maintenance of roads, snow removal, and waste management.
- **IT Services:** Centralized data centers, cybersecurity, and software licensing.

Joint Purchasing and Procurement

- Pooling resources to buy equipment, supplies, or services at bulk rates.
- Cooperative bidding for construction projects or consulting services.

Interlocal Agreements

- Formal agreements between governments to share responsibilities or services.
- Examples: joint park maintenance, shared animal control services, or regional planning.

Regional Planning and Development

- Coordinated land use, transportation, and infrastructure planning.
- Collaboration on economic development initiatives and grant applications.

Consolidated Administrative Functions

- Shared HR, finance, legal, or clerical staff.
- Unified permitting and licensing systems.



Collaborative opportunities (cont'd)

Joint Training and Professional Development

- Cross-agency training for emergency response, leadership, or compliance.
- Shared access to training platforms or instructors.

Collaborative Grant Seeking

- Partnering to apply for federal or state grants that require regional cooperation.
- Sharing grant writing expertise and administrative support.

Public Health and Social Services

- Regional health departments or shared mental health services.
- Coordinated homelessness prevention or food assistance programs.

Transportation and Transit Systems

- Joint operation of bus routes, paratransit, or bike-share programs.
- Shared funding for infrastructure improvements.

Education and Libraries

- Shared library systems or inter-district educational programs.
- Joint adult education or workforce development initiatives.



Consolidation

CONSOLIDATION

Government Modernization IC 36-1.5



Passed by the General Assembly in 2006



Authorizes the reorganization of local government services



Purpose

- Eliminates restrictions for more efficient operation
- Encourages efficiency and cooperation
- Enhances ability to provide services



CONSOLIDATION

Why Consolidate? Key Drivers for Local Government Collaboration

 Unified Planning and Zoning	Manage and control growth and development Coordinate land use policies
 Cost Efficiencies & Economies of Scale	Reduce administrative overhead and duplication Share resources (staff, equipment, facilities)
 Enhanced Service Delivery	Improve ability to provide critical and necessary services Better coordination with schools, counties, and local entities
 Broader Tax Base	Expand funding sources for high-priority services Stabilize local finances
 Simplification & Reduced Complexity	Eliminate overlapping jurisdictions and taxing units Streamline government operations
 Border Management & Annexation Prevention	Influence municipal borders Prevent unwanted annexation or encroachment
 Equity and Fairness	Promote more equitable distribution of resources and services
 Strategic Response to Fiscal or Demographic Challenges	Address financial shortfalls or population changes Support long-term sustainability



CONSOLIDATION

Potential challenges

Loss of Local Identity and Representation	Residents may feel disconnected from a larger, consolidated government. Smaller communities might lose influence over decisions that affect them directly.
Political Resistance	Elected officials and employees may oppose consolidation due to job loss or reduced authority. Varying political agendas of participating entities.
Unequal Service Levels and Tax Rates	Disparities in service quality or infrastructure between merging entities can lead to tension. Aligning tax rates and service standards may require compromises or increased spending.
Complex Integration Processes	Merging administrative systems, ordinances, budgets, and staff can be time-consuming and costly. Legal and logistical hurdles (e.g., union contracts, pension systems) can complicate the process.
Short-Term Costs vs. Long-Term Gains	Initial costs for studies, legal fees, and system integration may outweigh short-term savings. Benefits may take years to materialize, making it harder to justify politically.
Community Pushback	Residents may fear reduced access to services or feel their needs will be overlooked. Voter approval is required, and public sentiment can be difficult to sway.



Consolidation (Reorganization) Process



Initiation

Participating units adopt resolutions to initiate the proposed reorganization; or
Petition filed by voters that proposes reorganization



Reorganization committee

Prepares and submits a plan of reorganization to legislative bodies



Legislative approval

Reorganization plan adopted by legislative bodies



Referendum

Public question placed on the ballot for approval by the voters



Case Studies

Max Levy Growth Quotient (MLGQ)

- MLGQ capped at 4% again in 2026. Was estimated at 5.6% without the cap.
- After 2026 the MLGQ will be based on the current formula (6-year average of non-farm personal income).
- Beginning in 2029 (for budget year 2030), the budgeted property tax levy may not exceed the levy of the preceding annual budget unless the fiscal body adopts an ordinance affirming a tax rate and tax levy increase following a separate public hearing no later than 15 days before the regular budget public hearing.

Property Tax Replacement Credit

- Currently, Cass County has a 17.4422% Local Income Tax is dedicated to Property Tax Relief (PTR).
- This PTR Credit pays a portion of the property taxes levies by taxing units
 - Reduces a property owner's gross tax bill
 - The reduced gross tax bill also lowers the Circuit Breaker losses allocated to units of government
- Pursuant to SEA 1, this income tax expires following 2027



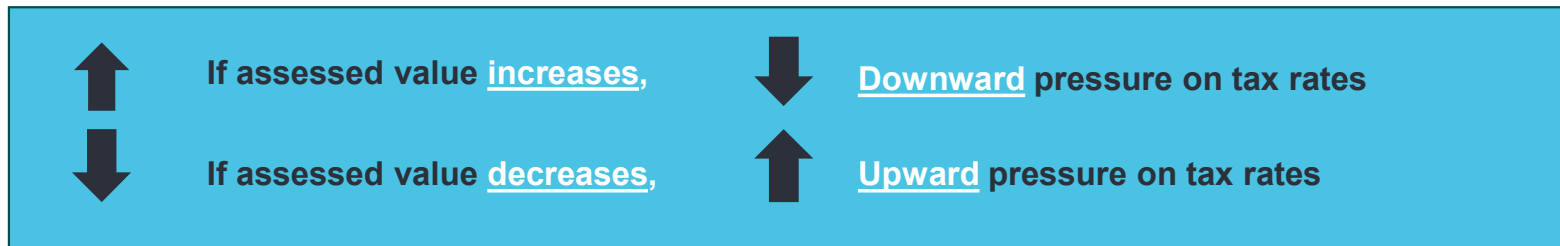
CIRCUIT BREAKER CREDITS (“TAX CAPS”)

Sample property tax bill

Residential home value	\$200,000
Tax limit @ 1.0%	\$2,000
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Net assessed value (after new deductions)	\$66,600
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Gross tax bill with a \$4.5722 rate	\$3,045
Less: Circuit breaker credits	(1,045)
Net tax bill paid by homeowner	\$2,000

These credits are proportionally allocated to the taxing units (county, city, township, school, library, special taxing district) in the form of reductions to the property tax levy

If a property is at the tax cap, an increase in the tax rate results in an increase in circuit breaker credits (levy reductions to taxing units)



Sample tax bill - Revisited

Residential home value	\$200,000
Tax limit @ 1.0%	\$2,000
<u>Net assessed value (after new deductions)</u>	<u>\$66,600</u>

Without a LIT PTRC

Tax bill with a \$4.5722 rate	\$3,045
Less: Circuit breaker credits	(1,045)
<u>Net tax bill paid by homeowner</u>	<u>\$2,000</u>

With a LIT PTRC

Gross tax bill with a \$4.5722 rate	\$3,045
Less: Portion of tax bill paid by income taxes	(456)
Net Tax bill	2,589
Less: Circuit breaker credits	(589)
<u>Net tax bill paid by homeowner</u>	<u>\$2,000</u>

Due to the LIT PTR Credit, the Circuit Breaker losses allocated to taxing units decrease from \$1,045 to \$589.



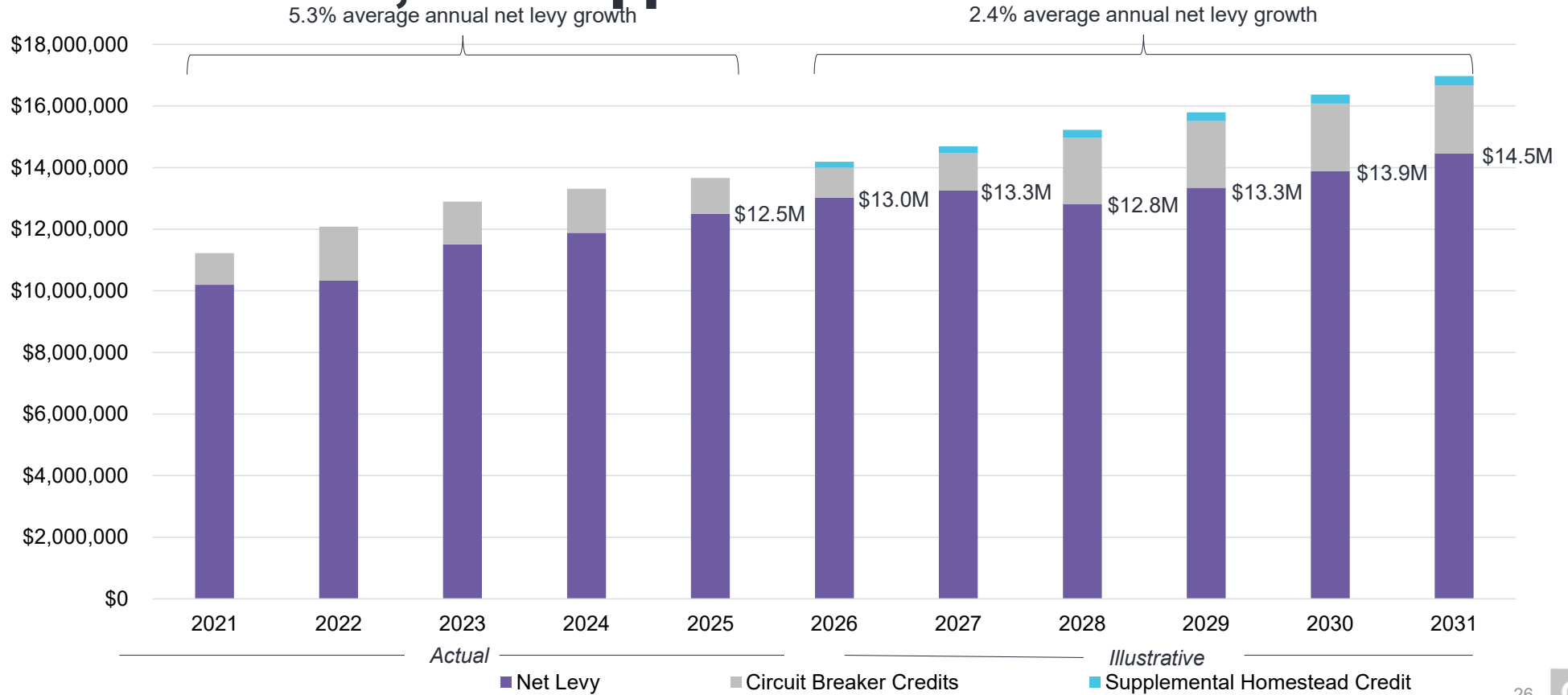
Baker Tilly County-Level Property Tax Model Notes

- Based upon 2025 assessed values, tax rates, and levies as provided by the DLGF and the Cass County Auditor's and Assessor's offices
- Incorporates
 - New 1% & 2% property category deduction formulas from SEA 1 based on County Auditor data and assumptions based on Census data for property values
 - Assumption for increase in *de minimis* qualifying business personal property from SEA 1 and HEA 1427 based on data from the DLGF tax bills.
 - Expiration of Local Income Tax Property Tax Replacement Credit in 2028 pursuant to SEA 1
- Assumptions
 - Assumed 5.5% annual real property assessed value growth factor based on historical county-wide average; referenced pay 2026 county-wide net assessed values
 - Assumed 4% annual maximum levy growth factor
 - Assumed proportional allocation of Circuit Breaker Tax Credits to taxing units based on 2025 actuals
 - Assumes no change to the 2025 levies in property tax debt funds and no change to 2025 rates for rate-controlled funds



CASS COUNTY

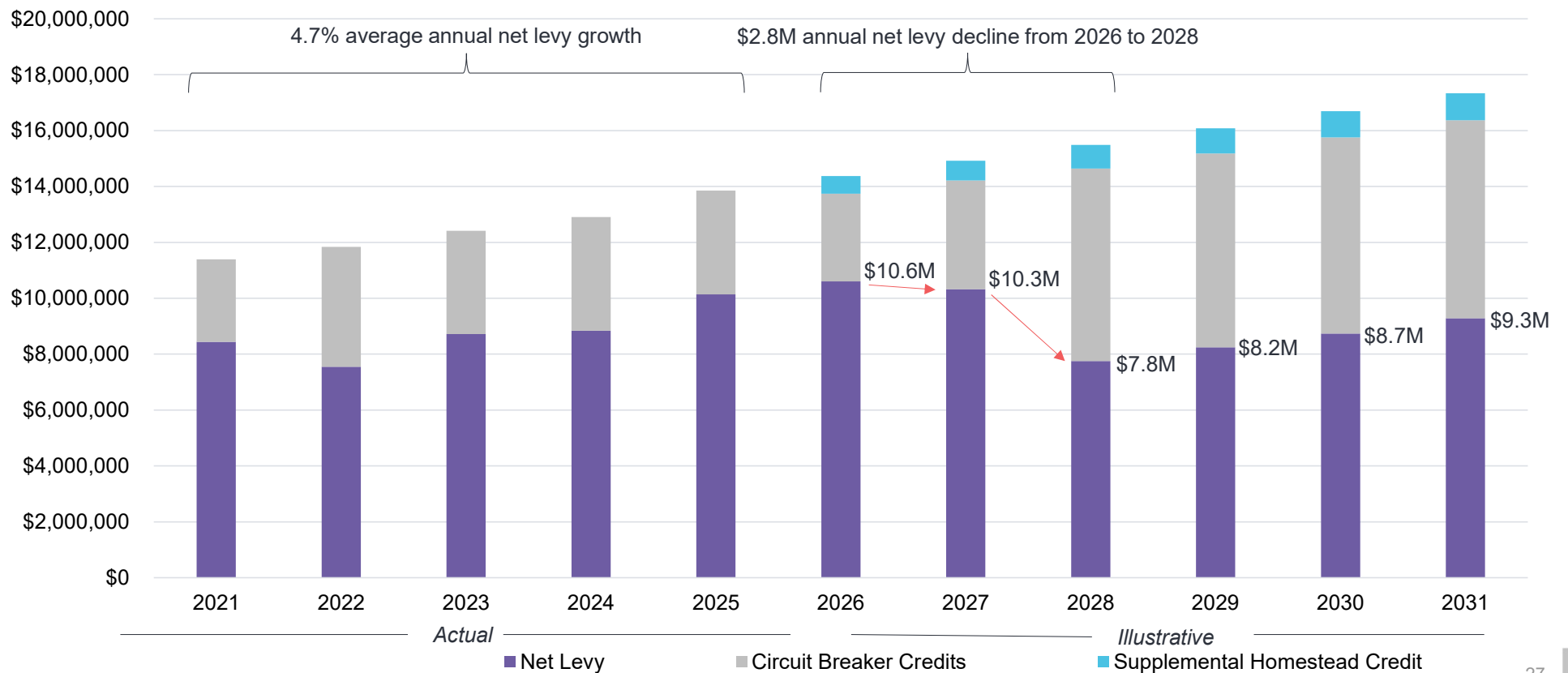
Historical and Illustrative Net Property Tax Levy, Circuit Breaker Credits, and Supplemental Homestead Credits



Source: Historical levy and Circuit Breaker losses are per the 2021 – 2025 Cass County Circuit Breaker Reports prepared by the DLGF.



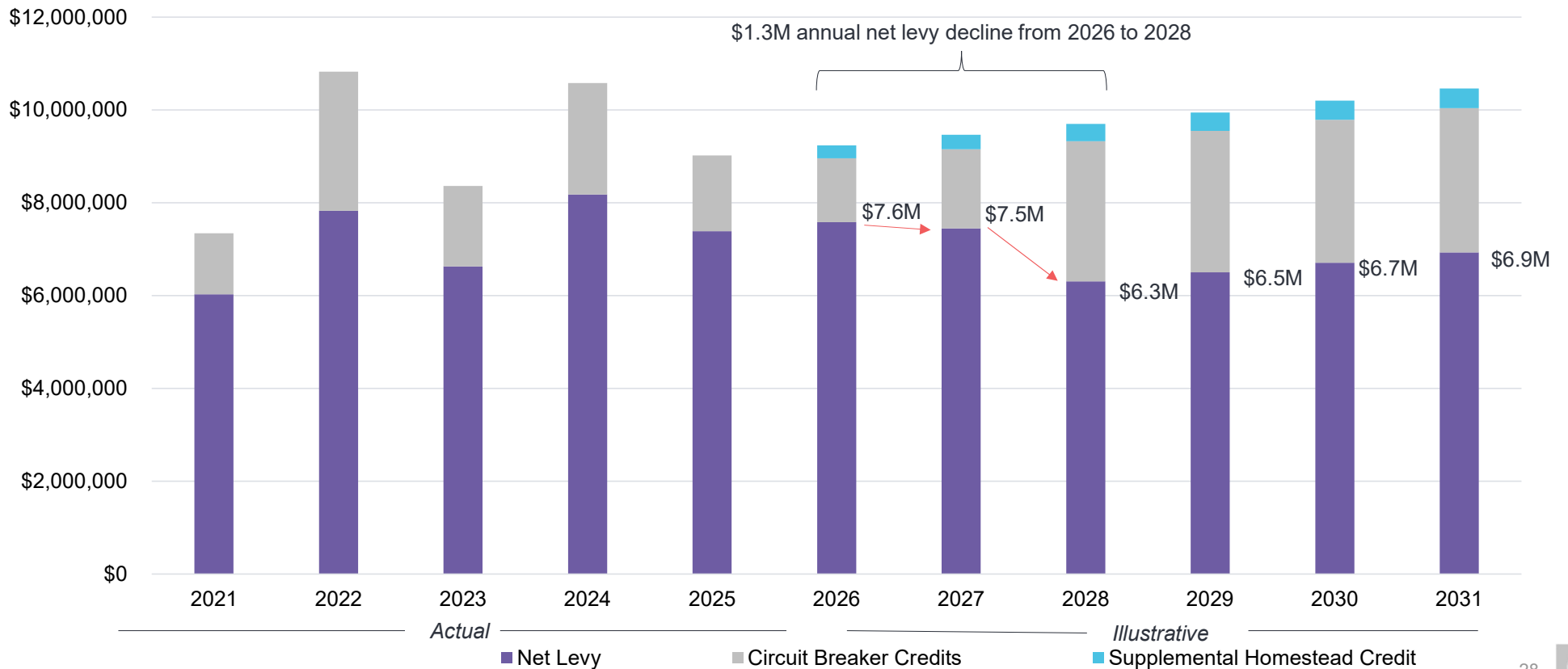
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Questions?

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Susan Cowen
SR. MANAGER

P: +1 (317) 465-1547
E: susan.cowen@bakertilly.com



Brock Bowsher
PRINCIPAL

P: +1 (317) 465-1665
E: brock.bowsher@bakertilly.com



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