

## Capital Comments

# Property tax reform: What have we got?

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We've got property tax reform - the biggest, most important reform in Indiana local government finance since 1973, at least. And we've got a whole lot of questions about how these reforms are going to work. Here's what we're going to do.

The state will take over the whole school general fund, the county welfare funds and a few others. The property tax levies and rates for these funds will disappear. The state will pay for the added spending with an increase in the sales tax from 6 percent to 7 percent (as of April 1) and by redirecting existing property tax relief spending. That means most of the credits on our tax bills will disappear, too, so our tax bills will be simpler.

Property tax relief will be channeled to homeowners through a supplemental homestead standard deduction, for most homeowners equal to 35 percent of a home's assessment, after subtracting the existing \$45,000 deduction.

Some of these measures phase in over the next two years. This year, we'll see a temporary but substantial increase in homestead credits, financed by the April 1 sales tax increase.

The income tax deduction for renters will rise from a \$2,500 maximum to a \$3,000 maximum, and the Indiana earned income credit will increase from 6 percent to 9 percent of the federal credit. This will partially offset the sales tax increase for renters, who do not receive direct relief from the property tax reductions. Owners of lower-valued homes will receive additional relief through an increase in the maximum share of assessed value that can be taken with the standard deduction. It was \$45,000 up to 50 percent of assessed value, now it will be \$45,000 up to 60 percent of assessed value. Lower-income homeowners age 65 and over will be allowed to freeze their property tax payments.

Circuit breaker credits will limit homeowner taxes to 1 percent of assessed value before deductions. Rental housing and farmland taxes will be limited to 2 percent, and other taxes will be limited to 3 percent. The limits will fully phase in by 2010. The limits are in the statute, but the legislature has started the process to put them into the state constitution. Owners of rental housing will see the biggest benefits from these credits.

The credits are tax breaks for property owners and revenue losses for local governments. Total credits (and losses) are estimated at \$524 million by 2010, about 5 percent of local budgets. Governments in Lake and St. Joseph counties will exempt debt-service taxes from the circuit breaker limits, but still more than half of the total credits will be in these two counties.

In addition, we'll eliminate most township assessors and township trustee assessing duties. County assessors will handle most property assessment. And bigger school and other capital projects will be subject to referenda.

Those are the reforms. Here are some questions. With the economy slowing down, will there be enough sales tax revenue to support the added state spending? There's been concern that replacing the stable property tax with the less stable sales tax could create revenue shortfalls. We may find out sooner rather than later.

If the state pays the whole of the school general fund, can we still have differences in spending per pupil across school corporations? And, if the state pays the whole of the school general fund, will it need more control over local spending decisions?

How will businesses respond to the increase in the sales tax on business-to-business sales, which are 20-40 percent of total sales taxes? Will they try to pass these taxes on to customers in higher prices?

Since the tax cut for rental housing makes owning rental property more profitable, will it cause a boom in apartment

construction? If so, will competition for tenants drive rents lower than they would have been? Will renters benefit, at least a little, from their landlords' property tax cuts?

Will counties respond to the revenue shortfalls from the circuit breaker credits with increases in local income taxes, which can partially offset these losses? If so, how big of a net tax cut will the reform really deliver to homeowners?

These are big questions, but big reforms create big questions. And this is a very big reform.

## Griffins offer import and domestic specialized car care

Tony and Belinda (Shoff) Griffin of Flora have opened Griffin's Service Center of Flora in the former Abdon building at 105 W. Main St.

The Griffins' business provides import and domestic specialized

auto care. The center opened Tuesday with a special grand opening celebration.

Griffin started in the import car business at age 18. He went to work for a Porsche dealership where he received his apprenticeship as a Porsche mechanic.

During that time he hooked up with the Porsche racing team. He won his first championship in 1977 at the Washington D.C. Regional Championships for the SCCA (Sports Car Club of America). He competed in other

forms of road racing until 1992. Griffin cross-trained on various other imports and then opened his own service business in Pennsylvania. He owned and operated that business for 10 years before moving to his wife's home state of Indiana. He worked at several high-end import sales and service facilities in Indianapolis before working with domestics at various Lafayette dealerships.

Last March he and his wife decided they wanted to open their own business.

"I work on the vehicles, my wife does computer graphic design, and we both share the bookkeeping," he said.

The service center will be open Monday through Friday from 7:30 a.m. to 5:30 p.m. They can be reached at 574-967-0117 or visit their web site at [www.griffinbilt.com](http://www.griffinbilt.com).

In the couple's free time, they camp. "We've been to nearly all of the campgrounds in Indiana," he said.

They also have six children and one grandchild.

The Griffins encourage the public to stop in and see their new 2,500 square foot shop, located in the north end of the building.

## Business Briefs

**KIRK DUFF**, an employee of Breneco Fire Protection, Inc., Flora, recently competed in ABC National Craft Championships in Puerto Rico, as a fire sprinkler fitter.

A field of 135 craft professionals competed in 11 different craft areas during this year's contest. Competitors first took an intense, two-hour written exam and then competed in daylong "hands-on" craft projects.

"We are honored to provide these craft professionals with the opportunity to demonstrate their high-quality workmanship, technical knowledge and safe work practices," said 2008 ABC National Chairman Bill Fairchild. "These craft professionals are the best-of-the-best and show us that there is a bright future ahead for ABC and the U.S. construction industry."



Duff

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**Carroll County Chamber Spring Event "Women's Celebration Luncheon"**

Our Carroll County Chamber of Commerce will present its first "Women's Celebration Luncheon" on April 23, 2008. This special event will offer a great opportunity to celebrate women and what they do for their families, businesses and the community.

April 23<sup>rd</sup> is also Administrative Professionals day and this luncheon could serve to show your female support staff how much you value their contribution to your business. Sponsor your staff and allow them just a little extra lunch hour to enjoy a catered meal, door prizes, mini massages, guest speakers, and some fellowship time. Local and independent businesses are participating.

Women this event is for you. Bring a friend and have some fun!

**Date:** April 23, 2008  
**Time:** Noon-1:30 p.m.  
**Place:** Canal Interpretive Center, Delphi, IN  
**Door Prizes:** Avon, Mary Kay, Pampered Chef, Premier Jewelry, Sassy's, Longaberger and more surprises!  
**Meal:** Catered by Burlington Meats & Catering  
**Cost:** \$10.00 per person

Please RSVP at your Carroll County Chamber of Commerce by April 18, 2008. Space is limited!!!  
**765-564-6757 or [sana@Carrollcountychamber.com](mailto:sana@Carrollcountychamber.com)**

