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# STATE OF INDIANA

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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:** Jamie Bolser, Budget Director

**DATE:** September 5, 2024

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

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 [Department 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

Per Ind. Code § 6-3.6-3-7 and Ind. Code § 6-3.6-3-7.5, 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.

### **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.

### **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 with a written determination of the appropriateness of the notice, ordinance, or resolution, including recommended modifications, within thirty (30) days of receipt. Pre-submission requests should be submitted directly to your [Department Budget Field Representative](#).

The Department reserves the full thirty (30) days to review the proposal, regardless of when the adopting body intends to publish notice or adopt an ordinance or resolution.

### **REVIEW OF REDUCTION OF LEVY FREEZE RATE**

As required by Ind. Code § 6-3.6-11-1, the adopting body of a county that imposed a levy freeze rate may not reduce or rescind the rate unless the adopting body requests approval from the Department to lower the rate.

Upon receipt of the resolution, the Department shall review the proposed levy freeze rate. Pursuant to Ind. Code § 6-3.6-11-1(c), a lower levy freeze rate will be approved upon a finding that the total amount of foregone maximum levy increases for all taxing units for all years (the “levy freeze dollar amount”) will be funded by:

- (1) the lower levy freeze rate; plus
- (2) any supplemental distribution dedicated by the adopting body by a resolution adopted under Ind. Code § 6-3.6-11-1(d); and
- (3) after July 1, 2024, any balance in the stabilization fund.

Review by the Department is not required to increase a levy freeze rate. Per Ind. Code § 6-3.6-11-1(b), the maximum allowable rate for levy freeze is one percent (1%).