

UMBAUGH

Local Option Income Tax ("LOIT")

Local Option Income Tax

- Tax levied against adjusted gross income
- Legacy LOIT's
 - County Adjusted Income Tax “CAGIT” (cannot be adopted with COIT)
 - County Option Income Tax “COIT” (cannot be adopted with CAGIT)
 - County Economic Development Income Tax “CEDIT” (can be adopted with either CAGIT or COIT)
- New LOIT's
 - Levy Freeze LOIT
 - Property Tax Relief LOIT
 - Public Safety LOIT (must be enacted with either Levy Freeze or Property Tax Relief LOIT)

New LOIT's

- Every county is authorized to impose additional rates of COIT or CAGIT for:
 - Levy growth replacement (levy freeze)
 - Property tax relief
 - Public Safety costs
- Additional income tax rates are imposed by:
 - County council in CAGIT counties
 - County income tax council in COIT counties (and counties with CEDIT only)

Levy Freeze LOIT

- Maximum rate is 1%
- Actual rate is determined jointly by the DLGF and the Department of Revenue
- Based on the amount of LOIT needed to make up new levy growth (levy replaced with allocation of LOIT)
- If adopted, the controlled property tax levies of all political subdivisions in the county are frozen at the current maximum levies
- Rate cannot be reduced or rescinded - the decision to fund levy growth with income tax is permanent

Property Tax Relief LOIT

- Maximum rate is 1%.
- Tax relief may be:
 - Uniform Credits
 - Residential Homestead Credits
 - Qualified Residential Credits; or,
 - Combination of any of the above
- May be adopted by all counties without adoption of another new LOIT

Public Safety LOIT

- Maximum rate is .25%
- County may impose an income tax to fund public safety costs if either Levy Freeze LOIT or Property Tax Relief LOIT is imposed

Public Safety LOIT

- Eligible expenses
 - Police/law enforcement systems
 - Firefighting and fire prevention systems
 - Emergency ambulances and emergency medical services
 - Emergency action (environmental clean up)
 - Probation programs
 - Community corrections programs
 - Juvenile detention centers and facilities

Public Safety LOIT

- Eligible expenses (cont'd)
 - County jail
 - Communications systems or enhanced emergency telephone systems
 - Medical and health care expenses for inmates
 - Pension payments for:
 - Police officers and other department employees
 - Firefighters and other department employees
 - Sheriff and other members of department
 - Other personnel providing public safety services

Public Safety LOIT – Distribution of Revenues

- Revenues are distributed to the county and to cities and towns in the county in accordance with the applicable distribution formula for CAGIT or COIT (certified shares)
 - Legislation enacted in 2011 allows for townships and EMS providers to apply to the County Unit to receive a portion of the distribution
- Revenues may not be used to reduce the county's or a municipality's property tax levy for the year
- Tax rate may be rescinded

When can LOIT be adopted?

- Any time in a year before November 1.

If ordinance is adopted:	It takes effect on:
January 1 – August 31, 2014	October 1, 2014
September 1 – October 31, 2014	January 1, 2015

Note: No ordinance may be adopted from November 1 through December 31.

Selecting a LOIT

- What is the purpose of adopting the LOIT?
 - Provide credits for taxpayers
 - Reduce circuit breaker tax credits
 - Decrease reliance on property taxes
 - Generate new money for public safety expenses

Selecting a LOIT (Cont'd)

- At what rate should the LOIT be adopted?
 - Levy Freeze LOIT
 - Rate is jointly determined by DLGF and Department of Revenue
 - Property Tax Relief LOIT
 - Consider the purpose of the LOIT (i.e. taxpayer credits, circuit breaker relief, etc.)
 - Public Safety LOIT
 - Consider the public safety needs of the taxing units that will receive monies
- LOITs are not “one size fits all” – need to look at the individual circumstances to determine which option to utilize

Contact Information

UMBAUGH

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