

**TIPPECANOE COUNTY COUNCIL  
SPECIAL MEETING  
FEBRUARY 21, 2006**

The Tippecanoe County Council held a Special Meeting at 7:30 P.M. Tuesday, February 21, 2005 in the Tippecanoe Room in the County Office Building. Council members present were: Vice President Jeffrey A. Kemper, Ronald L. Fruitt, Betty J. Michael, Thomas P. Murtaugh, and Kevin L. Underwood. Others present were: Auditor Robert A. Plantenga, Attorney David W. Luhman, and Secretary Pauline E. Rohr. (Councilmember Ronald L. Fruitt was absent.)

Vice President Kemper called the meeting to order and led the Pledge of Allegiance.

**EDIT (Economic Development Income Tax) HOMESTEAD CREDIT**

Auditor Plantenga reviewed this handout explaining the options for replacing lost inventory revenue:

**EDIT (Economic Development Income Tax) Homestead Credit**

Constitutional Amendment #1 was approved statewide in November 2004 and in Tippecanoe County (62.89%) to eliminate Inventory from being taxed.

Inventory will not be taxed starting with the 2006 assessments which are due in 2007.

2004 Inventories were:	
- Livestock & Poultry	\$1,638,040
- Grain	\$3,024,870
- Utilities	\$530,150
- Business Personal Property	\$483,252,670

Property Tax rates are computed by dividing the allowable dollars to be raised for local taxing units (County, Cities, Schools, Libraries, etc) by the total net assessed values.

When Inventories are no longer taxed, property tax rates will increase because less assessment is available to generate the needed dollars.

The Legislature gave the Counties the option to increase the local income tax with the funds generated from the additional tax being used for tax relief as an additional Homestead Credit, This would be available only to owner occupied properties who have filed for the Homestead Credit.

Imposing the additional income tax is an option, not a requirement.

Calculation is made as to how much property with Homesteads would increase because of the lack of Inventory assessments (approximately \$1.8 million). The additional Income Tax rate is determined by the amount needed to be raised (0.08% to 0.10%) [2004 assessed value using 2005 tax rate].

Two options of distributing the income tax funds are available

- Allocated where each taxing district gets the amount of funds it needs to neutralize the impact.
- Uniform where everyone in the county receives the same Homestead Credit percentage regardless of the amount of inventory in the taxing district.

Tippecanoe County currently has a County Option Income Tax (COIT) so the Income Tax Council has final authority to impose the tax. The Income Tax Council is made up of the Cities and Towns in the County with votes given to the County Council for the unincorporated areas. The 100 total votes in the county are determined by population.

The EDIT Income Tax rate must be approved by the end of March to be effective July 1.

Rate is recalculated annually based on need. If the rate generates more than is needed, the rate would be reduced for the next year.

Auditor Plantenga then reviewed the comparison of the two potential distribution methods, uniform and allocated, at the 0.08% Income Tax Rate that will generate \$1.8 million.

→ President and Councilmember David S. Byers entered the meeting.

**PROCEDURES**

Attorney Luhman reviewed the handout he distributed outlining procedures for EDIT/Homestead Credits:

**EDIT/Homestead Credits**

EDIT/Homestead Credits

1. **Do Nothing**
  - a. Inventory deduction results in higher property taxes for residents in each taxing unit as they make up for lost assessed value to support fixed tax levy
2. **Increase EDIT rate** to generate funds to provide additional Homestead Credits
  - a. Amount of increase limited to amount needed to replace revenues generated by AV of lost inventory
    1. .08% is estimate of additional EDIT rate required
    2. may round to .10% for administrative practicality
  - b. Increased CREDIT may only be used to fund Homestead Credits
    1. Any excess revenues collected must be escrowed and used to fund Homestead Credits in future years (allowing reduction in rate for future years)
3. **Decide Allocation Method** for Credits
  - a. CITC must specify method of allocating Homestead Credits in Ordinance
    1. **Uniformly Applied Homestead Credits**
      - a. same percent allowed to homeowners in each taxing unit
    2. **Allocated Homestead Credits**
      - a. Percent allowed to homeowners in each taxing unit equals that taxing unit's portion of County's total inventory deduction

4. **Select Ordinance**
  - a. Version 1: 10% Rate / Uniform Homestead Credits
  - b. Version 2: 10% Rate / Allocated Homestead Credits
  - c. Version 3: 8% Rate / Uniform Homestead Credits
  - d. Version 4: 8% Rate / Allocated Credits
5. **Additional Considerations:**
  - a. Ordinance takes effect on July 1 of year of adoption
    1. Pro-rated tax if in effect for less than full year
  - b. CITC may increase, decrease or rescind CREDIT rate by adopting ordinance between January 1 and April 1 of any year, effective July 1 of that year
  - c. Procedure:
    1. A Resolution passed by a member of CITC (i.e. County Council) casts all its votes on the proposed Ordinance and cannot be changed during the year (IC 6-3.5-6-4)
    2. If County Council adopts Resolution recommending an Ordinance, Auditor has 10 days to transmit it to other CITC Members
    3. CITC Members can vote on proposed Ordinance by passing resolution and transmitting it to Auditor before April 1 (IC 6-3.5-6-4)
    4. CITC Members must adopt Ordinance before April 1
      - a. Each must conduct public hearing (may meet jointly) IC 6-3.5-6-7
      - b. 10 days prior published notice of public hearing
        1. If deliver Notice to papers by Friday, February 24
          - a. Earliest publication date is Friday, March 3
          - b. Earliest public hearing date is Monday, March 13

Attorney Luhman explained the County Council is considering Resolution 2006-09-CL that proposes Ordinance 2006-01-TCITC. If the resolution is adopted tonight, that will constitute the County Council's vote on the ordinance. If the County Council takes no action, another Income Tax Council entity can take action by passing a resolution to recommend the ordinance but no earlier than March 13<sup>th</sup> due to advertisement constraints. It takes 51% of the total votes to pass the ordinance.

#### **PUBLIC COMMENT**

Tony Roswarski, Mayor of Lafayette: Mayor Roswarski said he is concerned about a property tax increase for Lafayette residents when they have worked hard to reduce taxes. In his opinion, the tax should be distributed to make everyone in the County neutral.

Jack Rhoda, Lafayette City Councilman: Most of the inventory was in the City of Lafayette but he thinks it will be unfair to make Lafayette's residents pay the lion's share of the loss. He advocated approval of the allocated method.

Steve Meyer, Lafayette City councilman: Mr. Meyer said doing nothing will burden all property owners in the County and advocated allocating the dollars as the most fair method. In his opinion, the entire community needs to come together and he pointed out that many West Lafayette residents are employed in Lafayette factories. Mr. Meyer doesn't think Lafayette residents should be penalized because that is where most of the inventory is located.

Michele Edmonds, 5700, Anjolea Way: One reason she recently moved here from Chicago was lower property taxes. She encouraged the Council to consider the impact increased taxes will have on senior citizens. She advocated allocating to make it fair for everyone.

Kevin Klinker, Lafayette City Councilman: The entire community shares in planning on the Area Plan Commission by deciding where Industrial Zones are located in the County. He thinks all should share the additional cost.

Jan Mills, Mayor of West Lafayette: She encouraged the County Council to allocate the tax impact because it is the most fair way.

Judy Rhodes, West Lafayette Clerk-Treasurer: Different parts of the County have enjoyed economic development. While Lafayette residents receive trash and recycling benefits from their General Fund tax dollars, West Lafayette residents pay \$2.6 million annually for those services because they have to cope with a residential tax base. She said the method used should be equitable.

#### **COUNCILMEMBERS**

Jeff Kemper: He said he appreciates the comments made tonight because he came into the meeting on the fence. He now thinks the fairest way is the EDIT Tax.

Kevin Underwood: Property taxes are unfair by nature and any opportunity to move away from additional property tax is a more fair option. He thinks all should share.

Betty Michael: She agreed with Councilmember Underwood.

Tom Murtaugh: He expressed concern that residents in Lafayette who are on fixed incomes will be forced out of their homes if there is additional property tax but additional income tax will have little impact. He believes the allocated method is the most fair.

Kathy Vernon: She suggested looking for other options and wondered if this is a band-aid solution. She advocated taking a year to study the impact of lost inventory revenues in the community.

Betty Michael: The problems will increase in that year. She said some entities have the ability to bite the bullet but some don't have the resources.

Jeff Kemper: The Council needs to make a decision tonight because there will be a significant increase they do nothing. Any decision tonight will not be set in stone and can be revisited each year.

Dave Byers: The State took the Inventory Tax off but left local governments to handle the loss. He agrees with the allocated version.

#### **RESOLUTION 2006-09-CL: Recommending Adoption of Ordinance by Tippecanoe County Income Tax Council**

Resolution 2006-09-CL will appear in its entirety in the Ordinance and Resolution book in the County Auditor's Office.

- Councilmember Kemper moved to adopt Resolution 2006-09-CL recommending adoption of Ordinance 2006-01-TCITC using Version 1, 10% Rate with Uniform Homestead Credits, seconded by Councilmember Michael. Auditor Plantenga recorded the vote:

Dave Byers	No
Jeff Kemper	Yes
Betty Michael	Yes
Tom Murtaugh	No
Kevin Underwood	No
Kathy Vernon	No
Ron Fruitt	Absent

- The motion to adopt Resolution 2006-09-CM recommending Version 1, 10% Rate with Uniform Homestead Credits, failed 4 – 2.
- Councilmember Murtaugh moved to adopt Resolution 2006-09-CL recommending adoption of Ordinance 2006-01-TCITC using Version 2, 10% Rate with Allocated Homestead Credits, seconded by Councilmember Underwood.

Auditor Plantenga recorded the vote:

Kathy Vernon	No
Kevin Underwood	Yes
Tom Murtaugh	Yes
Betty Michael	Yes
Jeff Kemper	Yes
Dave Byers	Yes
Ron Fruitt	Absent

- The motion to adopt Resolution 2006-09-CL recommending Version 2, 10% Rate with Allocated Homestead Credits passed 5 – 1.

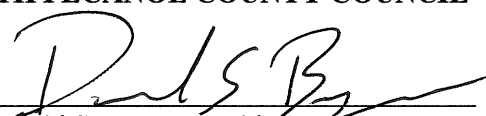
Attorney Luhman explained that Resolution 2006-09-CL acts to cast the County Council's vote in favor of the ordinance and will be distributed by the Auditor to other members of the Income Tax Council for their vote of yes or no.

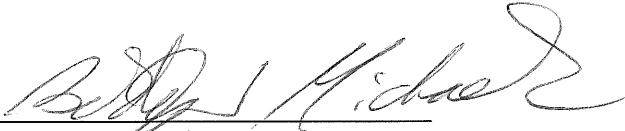
President Byers reminded the Council of the Joint Meeting with the Commissioners and Financial Consultant Greg Guerrettaz at Noon, Tuesday, March 14, 2006. The Council's Regular Meeting will follow at 2:00 P.M. Both meeting will be held in the Tippecanoe Room in the County Office Building.

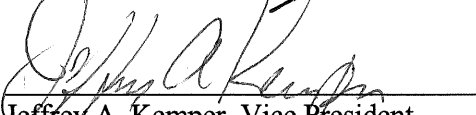
**ADJOURNMENT**

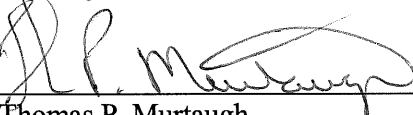
- Councilmember Michael moved to adjourn, seconded by Councilmember Kemper; motion carried.

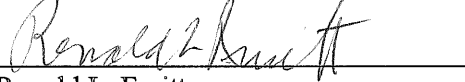
**TIPPECANOE COUNTY COUNCIL**

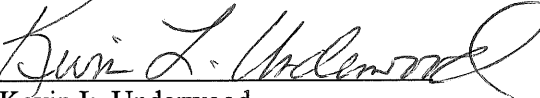
  
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 David S. Byers, President


  
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 Betty J. Michael


  
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 Jeffrey A. Kemper, Vice President

  
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 Thomas P. Murtaugh

  
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 Ronald L. Fruitt

  
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 Kevin L. Underwood

Attest:   
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 Robert A. Plantenga, Auditor

  
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 Kathy Vernon