



Community Mental Health Center Funding and Tax Bill Calculations

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An Important Disclaimer

The topics we are covering today are complex. For virtually every rule, there is an exception. This PowerPoint deck and accompanying presentation are designed to be conceptual in nature. They do not cover every possibility. Furthermore, many formulas, explanations, and definitions are simplified for ease of demonstration.

Also, this material does not constitute legal advice. The information contained in this presentation is not a substitute for reading the law.



Pre-2019 Law

- Indiana Code 12-29-2-2
- Community Mental Health Center (CMHC) funding was based on
 - the previous year's maximum appropriation amount
 - \times
 - the assessed value growth quotient (AVGQ)
- Funding was limited to the amount of funding needed to fulfill a CMHC's financial obligations for serving part or all of a county's population.
- Problem: Did not take into account circuit breaker impact on the county's general fund. Thus, CMHC funding could continue to grow even if the county was realizing less money due to circuit breaker.
- Taken to the extreme, CMHC's could grow to the point that it received all of the revenue received by the county.



Change in 2018 – HEA 1141

- County funding for Community Mental Health Centers
- Effective January 1, 2019.
- A county's maximum funding amount for a year is equal to:
 - the maximum funding amount for the previous year
 - \times
 - Percentage change in the county's general fund property tax levy after subtracting circuit breaker credits.
- Can not be less than the preceding year's maximum funding amount.
- Phases in the change over a 3-year period for Marion County.
- This change would allow the CMHC funding to grow in the same manner as the county general fund.



Change in 2018 – HEA 1141

- Other changes:
 - Funding for CMHCs shall be apportioned according to the proportion of:
 1. The county's population residing in the primary service area of each center that is certified by the Division of Mental Health and Addiction (the division); to
 2. The total population of the county.
 - Governing board of a CMHC must include a member of a county fiscal body or a member of a board of county commissioners.



Change in 2018 – HEA 1141

- Other changes:
 - Requires that the CMHC annual report be made to the division, county fiscal body, and the county commissioners. Currently only the county fiscal body.
 - Removes the requirement for the county to pay the appropriated amounts to the Division of Mental Health and Addition. (Reflects current practice)
 - Unless otherwise agreed to, the county payment to the CMHC shall be paid by the county treasurer to the CMHC's board of directors at least semiannually (July and December).



Unintended Consequences

County	% Increase of CMHC Funding from 2018	\$ Increase of CMHC Funding from 2018
CLARK COUNTY	308%	\$ 1,745,756
OWEN COUNTY	42%	\$ 122,571
NEWTON COUNTY	19%	\$ 131,560
KNOX COUNTY	18%	\$ 238,722
HENDRICKS COUNTY	18%	\$ 946,018
GRANT COUNTY	15%	\$ 451,160



Now What?

- DLGF has been collaborating with the legislature, AIC, county auditors, and the Indiana Council of Community Mental Health Centers on clarifying legislation.
- The DLGF's role is to ensure the calculations achieve the policy sought by the legislature.
- As of today, nothing has been proposed in a bill.



Thank you!

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Pre-2019 CMHC Funding

2017 Maximum Appropriation	\$200,000
x 2018 AVGQ	1.040
2018 Maximum Appropriation	\$208,000



Growth Factor Computation

2018 General Fund Levy	\$4,200,000
- 2018 General Fund Tax Cap Credits	(\$200,000)
2018 Post-Circuit Breaker Levy	\$4,000,000
2017 General Fund Levy	\$4,100,000
- 2017 General Fund Tax Cap Credits	(\$179,223)
2017 Post-Circuit Breaker Levy	\$3,920,777



Growth Factor Computation

2018 Post-Circuit Breaker Levy	\$4,000,000
/ 2017 Post-Circuit Breaker Levy	\$3,920,777
2019 General Fund Growth Factor	1.020



Post-2018 CMHC Funding

2018 Maximum Appropriation	\$294,118
x General Fund Growth Factor	1.020
2019 CMHC Appropriation	\$300,000



Post-2018 CMHC Funding

- The 2020 General Fund Growth Factor is not yet known. This is a hypothetical example.

2019 Appropriation	\$300,000
x General Fund Growth Factor	1.050
2020 Appropriation	\$315,000



2019 Max Levy Calculation

- Simplified calculation for an example county.

2018 Maximum Levy Before Adjustments	\$ 10,000,000
x 2019 AVGQ	1.034
Initial 2019 Maximum Levy	\$10,340,000
+ CMHC Adjustment	300,000
+ DD Adjustment	60,000
+ CCD Adjustment	300,000
2019 Maximum Levy	11,000,000



AVGQ

- Assessed Value Growth Quotient
- IC 6-1.1-18.5-2
- Calculated by State Budget Agency
- Non-farm personal income growth over a six year period.
- Assessed Value is not part of the equation.
- 2018 memo available at <https://www.in.gov/dlgf/9654.htm>.



AVGQ

Pay Year	AVGQ
2015 pay 2016	1.026
2016 pay 2017	1.038
2017 pay 2018	1.040
2018 pay 2019	1.034
2019 pay 2020	TBD



Pay 2018 AVGQ

Year #	Year	Income	Growth
0	2010	226,136,980	
1	2011	240,119,346	1.062
2	2012	251,476,282	1.047
3	2013	251,982,975	1.002
4	2014	263,829,681	1.047
5	2015	276,338,980	1.047
6	2016	286,364,908	1.036
Growth Total			6.241



Pay 2018 AVGQ

	Growth
Growth Total	6.241
Growth Total / 6	1.040
AVGQ is lesser of above total or 1.060	1.040

- 2017 pay 2018 AVGQ: 1.040



Tax Bills – Overall equation

- Most basic formula:

Net Assessed Value

x Tax Rate

Tax Bill



Assessed Values

- Assessed Value equation:

Gross Assessed Value

- Deductions
- Exemptions
- Abatements

Net Assessed Value



Deductions and Exemptions

- Common Deductions:
 - Standard Deduction
 - Supplemental Homestead Deduction
 - Mortgage Deduction
 - Over 65 Deduction

This is not a comprehensive list.



Deductions and Exemptions

Deduction	Eligibility	Amount
Homestead Standard	<ul style="list-style-type: none">• Principal place of residence• Up to one acre	Lesser of: <ul style="list-style-type: none">• 60% of Gross AV• \$45,000
Supplemental Homestead	Same as Standard Deduction	After Standard Deduction: <ul style="list-style-type: none">• 35% of AV under \$600,000• 25% of AV over \$600,000

This is not a comprehensive list and is shorthand for convenience. Actual eligibility and amounts are more nuanced than what is listed here.



Deductions and Exemptions

Deduction	Eligibility	Amount
Mortgage	<ul style="list-style-type: none">• Owner of mortgaged real property	Lesser of: <ul style="list-style-type: none">• Balance of mortgage• $\frac{1}{2}$ of AV• \$3,000
Over 65	<ul style="list-style-type: none">• At least 65 years old• Gross income < \$25,001• Various others	Lesser of: <ul style="list-style-type: none">• $\frac{1}{2}$ of AV• \$12,480

This is not a comprehensive list and is shorthand for convenience. Actual eligibility and amounts are more nuanced than what is listed here.



Assessed Value Example

The Smith family:

- Family members:
 - John, 31
 - Sally, 29
- Residence:
 - \$100,000 Gross AV house
 - 0.75 acres
 - \$80,000 outstanding on mortgage
 - New Castle, Indiana (Henry County)



Assessed Value Example

- Assessed Value equation:

Gross Assessed Value	\$100,000
Less Standard Deduction	(\$45,000)
Less Supplemental Deduction	(\$19,250)
Less Mortgage Deduction	(\$3,000)
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Net Assessed Value	\$32,750



Tax Rate

Tax District	Unit Type	Unit Code	Unit Name	Certified Tax Rate
016	1	0000	Henry County	0.7146
016	2	0007	Henry Township	0.0450
016	3	0203	New Castle Civil City	2.2765
016	4	3445	New Castle Community School Corporation	1.1488
016	5	0293	New Castle-Henry County Public Library	0.1656
016	6	1071	Henry County Solid Waste Management District	0
District Total				4.3505



Tax Rate

- Sum of tax rates for all funds in the taxing district.
- Expressed as a decimal representing tax dollars per \$100 of Assessed Value.
- A tax rate of \$4.3505 means a taxpayer will owe \$4.3505 in property taxes for every \$100 of Net Assessed Value.



Tax Bill Example

- Tax Bill equation:

Net Assessed Value

x Tax Rate

Gross Tax Bill

- Credits

Net Tax Bill



Tax Bill Example

- Tax Bill equation:

Net Assessed Value	\$32,750
x Tax Rate	\$4.3505
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Gross Tax Bill	\$1,424.79
- Credits	TBD
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Net Tax Bill	\$TBD



Full Tax Bill Example

- Full Tax Bill equation:

Gross Assessed Value

- (Deductions + Exemptions + Abatements)

Net Assessed Value

x Tax Rate

Gross Tax Bill

- Credits

Net Tax Bill



Full Tax Bill Example

- Tax Bill equation:

Gross Assessed Value	\$100,000
Less Standard Deduction	(\$45,000)
Less Supplemental Deduction	(\$19,250)
Less Mortgage Deduction	(\$3,000)
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Net Assessed Value	\$32,750
x Tax Rate	\$4.3505
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Gross Tax Bill	\$1,424.79
Less PTR Credits	(TBD)
Less Circuit Breaker Credits	(TBD)
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Net Tax Bill	\$TBD



Property Tax Relief Credits

- Funded through income taxes.
- Henry County provides property tax relief to 1% taxpayers.
- 1% Property Tax Relief Percentage: 18.4623.
- Property Tax Relief is applied after gross taxes are calculated and before circuit breaker credits are applied.



Tax Bill Example

- Tax Bill equation:

Gross Taxes Due	\$1,424.79
x Property Tax Relief Percentage	18.4623

Property Tax Relief Credits	\$263.05
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Gross Taxes Due	\$1,424.79
- Property Tax Relief Credits	(\$263.05)

Tax Bill after Property Tax Relief	\$1161.74
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Full Tax Bill Example

- Tax Bill equation:

Gross Assessed Value \$100,000

Less Standard Deduction (\$45,000)

Less Supplemental Deduction (\$19,250)

Less Mortgage Deduction (\$3,000)

Net Assessed Value \$32,750

x Tax Rate \$4.3505

Gross Tax Bill \$1,424.79

Less PTR Credits (\$263.05)

Less Circuit Breaker Credits (TBD)

Net Tax Bill \$TBD



Tax Bill Circuit Breaker

Circuit Breaker Type/Cap	Property Type/Eligibility
1% of Gross AV	<ul style="list-style-type: none">• Homestead
2% of Gross AV	<ul style="list-style-type: none">• Residential• Long Term Care• Agricultural
3% of Gross AV	<ul style="list-style-type: none">• Nonresidential real property• Personal property
Over 65	<ul style="list-style-type: none">• Must be Homestead property• Gross AV of Homestead less than \$160,000• At least 65 years old• Income Tax AGI less than \$30,001 (\$40,001 if married)



Same Tax Bill, Higher Rate

- Tax Bill equation:

Gross Assessed Value \$100,000

Less Standard Deduction (\$45,000)

Less Supplemental Deduction (\$19,250)

Less Mortgage Deduction (\$3,000)

Net Assessed Value \$32,750

x Tax Rate \$4.3505

Gross Tax Bill \$1,424.79

Less PTR Credits (\$263.05)

Less Circuit Breaker Credits (TBD)

Net Tax Bill \$TBD

Tax bill after subtracting PTR credits exceeds 1% of Gross AV.



CB Credit Calculation

- Tax bill will be the lower of:
 - Calculated Tax Bill after PTR OR
 - Maximum Tax Bill

Calculated Tax Bill after PTR
(CTB)

\$1,161.74

Maximum Tax Bill (MTB)

Gross AV less \$100,000

Exemptions

Credit Type 1%

Maximum Tax \$1,000
Bill



CB Credit Calculation

- If $CTB > MTB$ then
 $CB\ Credit = CTB - MTB$ else
 $CB\ Credit = \$0$

Calculated Tax Bill	\$1,161.74
Maximum Tax Bill	(\$1,000.00)
<hr/>	
1% CB Credit	\$161.74



Same Tax Bill, Higher Rate

- Tax Bill equation:

Gross Assessed Value	\$100,000
Less Standard Deduction	(\$45,000)
Less Supplemental Deduction	(\$19,250)
Less Mortgage Deduction	(\$3,000)
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Net Assessed Value	\$32,750
x Tax Rate	\$4.3505
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Gross Tax Bill	\$1,424.79
Less PTR Credits	(\$263.05)
Less Circuit Breaker Credits	(\$161.74)
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Net Tax Bill	\$1,000



Tax Bill Circuit Breakers

- Common circuit breaker variables:
 - Tax Rate
 - Assessed Value
 - Property Type



3% Gross AV Example

- Tax Bill equation:

Gross Assessed Value	\$1,000,000
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Deductions, Exemptions, and Abatements	(\$0)
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Net Assessed Value	\$1,000,000
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x Tax Rate	\$4.3505*
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Gross Tax Bill	\$43,505.00
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Less Circuit Breaker Credits	(\$13,505.00)
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Net Tax Bill	\$30,000.00
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*At this step, there is an implied division by \$100.



County-wide CB Procedures

- Circuit breaker calculations rely primarily on abstract data.
- The quick summary:
 - Circuit breakers are calculated for individual taxpayers.
 - A taxing district has \geq \$0 in CB credits to spread
 - Circuit breakers are spread to funds and units within districts proportionally, except as otherwise specified in statute.



County-wide CB Procedures

- This example assumes no exempt funds and treats Over 65 circuit breakers the same as 1/2/3% circuit breakers. There are certain differences in the actual calculation.



County-wide CB Procedures

Unit Name	Rate
Henry County	0.7146
Henry Township	0.0450
New Castle Civil City	2.2765
New Castle Schools	1.1488
New Castle Public Library	0.1656
Total	4.3505



County-wide CB Procedures

Unit Name	Rate	Proportion
Henry County	0.7146	16.4%
Henry Township	0.0450	1.0%
New Castle Civil City	2.2765	52.3%
New Castle Schools	1.1488	26.4%
New Castle Public Library	0.1656	3.8%
Total	4.3505	100%



County-wide CB Procedures

- District Circuit Breaker Credits: \$500,000

Unit Name	Rate	Proportion
Henry County	0.7146	16.4%
Henry Township	0.0450	1.0%
New Castle Civil City	2.2765	52.3%
New Castle Schools	1.1488	26.4%
New Castle Public Library	0.1656	3.8%
Total	4.3505	100%



County-wide CB Procedures

- District Circuit Breaker Credits: \$500,000

Unit Name	Proportion	Unit Credits
Henry County	16.4%	\$82,128
Henry Township	1.0%	\$5,172
New Castle Civil City	52.3%	\$261,637
New Castle Schools	26.4%	\$132,031
New Castle Public Library	3.8%	\$19,032
Total	100%	\$500,000



Taxing Unit CB Procedures

- Taxing Unit Breaker Credits: \$213,720

Unit Name	Tax Rate	CB Proportion
General Fund	\$0.5000	93.6%
Debt Service Fund	\$0.1500	N/A
Park Fund	\$0.0010	0.2%
CCD Fund	\$0.0333	6.2%
Total		100%



Taxing Unit CB Procedures

- Taxing Unit Breaker Credits: \$213,720

Unit Name	CB Proportion	CB Proportion
General Fund	93.6%	\$200,000
Debt Service Fund	N/A	-
Park Fund	0.2%	\$400
CCD Fund	6.2%	\$13,320
Total	100%	\$213,720



Taxing Unit CB Procedures

- Taxing Unit Breaker Credits: \$213,720

Unit Name	CB Proportion	CB Proportion
General Fund	93.6%	\$200,000
Debt Service Fund	N/A	-
Park Fund	0.2%	\$400
CCD Fund	6.2%	\$13,320
Total	100%	\$213,720

- The \$200,000 credit amount for the general fund will be used in computing the net levy for the General Fund Growth Factor in the following year.



Thank you!

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