



**IGA 2025 LEGISLATIVE SESSION  
SENATE ENROLLED ACT 1 MEMORANDUM  
April 23, 2025**

The purpose of this memo is to summarize Senate Enrolled Act 1 from the 2025 Indiana Legislative Session. Senate Bill 1 was signed by Governor Braun on April 15, 2025; now Senate Enrolled Act 1.

**Deductions**

- **Phase-In changes to primary homesteads (1% properties)**

Year	Homestead Deduction	Supplemental Deduction	100,000 Property Example - Total Deductions	\$500,000 Property Example - Total Deductions
2025	\$ 48,000	37.5% of Gross AV less Homestead (Up to \$600k) - Remainder AV = 27.5%	\$ 67,500	\$ 217,500
2026	\$ 40,000	40% of Gross AV less Homestead	\$ 64,000	\$ 224,000
2027	\$ 30,000	46% of Gross AV less Homestead	\$ 62,200	\$ 246,200
2028	\$ 20,000	52% of Gross AV less Homestead	\$ 61,600	\$ 269,600
2029	\$ 10,000	57% of Gross AV less Homestead	\$ 61,300	\$ 289,300
2030	\$ -	62% of Gross AV	\$ 62,000	\$ 310,000
2031	\$ -	66.7% of Gross AV	\$ 66,700	\$ 333,500
Total Base Change			\$ (800)	\$ 116,000

## TIF Impacts

- Elimination of 30% business personal property floor on all assets placed into service after July 1, 2025
  - Existing assets grandfathered
  - BPP obligated to debt service in existing TIF allocation areas not subject to 30% floor
- DLGF will neutralize rate increases due to AV loss
  - True impacts difficult to project due to TIF expirations and unknown quantity of new BPP versus old
  - DLGF also has authority to make TIF whole in the event of rate/av decreases; requires justification
  - Again, parcel-level analysis is best way to accurately project impacts

## Debt Controls

- All new general obligation bonds, issued after May 1<sup>st</sup>, 2025, for short term debt (5 years or less) subject to 1-year “cool-off” period
  - Any 2-year or less GO Bond already outstanding is retroactively subject to 1-year “cool-off”
- Property tax backed debt: controlled project thresholds as follows:
  - **Municipalities: Unit total property tax debt service rate > \$0.2500**
  - **Schools: Unit total property tax debt service rate > \$0.4000**
  - **Subject to DLGF Final Legal Opinion: current assumption is that individual project thresholds and processes will still apply, per existing Statute**
- Moves all referenda to even numbered years (general election)
  - Schools cannot place controlled project referenda on ballot the same year as current referenda expire
  - Will ultimately cause more project delays and more property tax rate fluctuations

## Levy Appeals

- Eliminates 3-year growth appeal and extension of services appeal (except under annexation or emergency)

## Fire Territories

- Territories established after Jan 1, 2025, capped at \$0.4000 property tax rate
- Requires counties to approve all fire territory LIT distributions

## Budget Procedures

- Requires additional budget public hearing
  - Only the tax rate and budget to be discussed during meeting (only agenda item)

*Disclaimer: Opinions, information, and statements made by Reedy Financial Group, PC, do not and are not intended to constitute legal advice.*



**IGA 2025 LEGISLATIVE SESSION  
SENATE ENROLLED ACT 1 MEMORANDUM  
April 23, 2025**

The purpose of this memo is to summarize Senate Enrolled Act 1 from the 2025 Indiana Legislative Session. Senate Bill 1 was signed by Governor Braun on April 15, 2025; now Senate Enrolled Act 1.

**Deductions**

- **Phase-In changes to primary homesteads (1% properties)**

Year	Homestead Deduction	Supplemental Deduction	100,000 Property Example - Total Deductions	\$500,000 Property Example - Total Deductions
2025	\$ 48,000	37.5% of Gross AV less Homestead (Up to \$600k) - Remainder AV = 27.5%	\$ 67,500	\$ 217,500
2026	\$ 40,000	40% of Gross AV less Homestead	\$ 64,000	\$ 224,000
2027	\$ 30,000	46% of Gross AV less Homestead	\$ 62,200	\$ 246,200
2028	\$ 20,000	52% of Gross AV less Homestead	\$ 61,600	\$ 269,600
2029	\$ 10,000	57% of Gross AV less Homestead	\$ 61,300	\$ 289,300
2030	\$ -	62% of Gross AV	\$ 62,000	\$ 310,000
2031	\$ -	66.7% of Gross AV	\$ 66,700	\$ 333,500
Total Base Change			\$ (800)	\$ 116,000

- **Phase-In deductions to all 2% gross assessed value properties**
  - 6% in 2026 up to 33% by 2032
    - Increases by 5% - 7% annually; until 2031 -2032 goes from 30% to 33%
- **Increase to exemption threshold for Business Personal Property from \$80,000 to \$2 million**
- **Removal of 30% taxation floor on Business Personal Property – in service after July 1, 2025**
- **RFG Notes/Observations**
  - 1% deductions - elimination of fixed portion of deduction (Homestead) will disproportionately benefit higher gross av homesteads; taxpayer impact is regressive, shifts more of the burden to low av homesteads
  - 2% deductions – benefit to 2% taxpayers is negligible in incorporated taxing districts; tax rate increases due to reduced av will push even more taxpayers to the caps; benefit outside of incorporated areas will vary by taxing district
  - BPP exemption will benefit small business – manufacturing/large retail will likely not see a benefit
  - Best method to project impacts is a parcel-by-parcel analysis; there will be a shifting of property tax burden and an overall increase to property tax rates under SEA 1

#### **New Property Tax Credits**

- \$150 for all homeowners  $\geq$  65 years of age; **applies after all credits (net tax bill reduction)**
- \$125 for disabled homeowners; **applies after all credits (net tax bill reduction)**
- \$250 for disabled veterans; **applies after all credits (net tax bill reduction)**
- Lesser of 10% or \$300 of gross tax bill for all primary homesteads; **if other credits above applied, this credit is applied before all credits; otherwise, this credit applies after all credits – NEED DLGF LEGAL FINAL OPINION**

#### **Local Income Tax (“LIT”)**

- Eliminates existing LIT System and all LIT Rates, except “Special Purpose” beginning January 1, 2028
    - Maximum LIT rate paid by any taxpayer capped at 2.9% plus any existing “Special Purpose Rates”
- County Controlled Rates**
- Up to 1.2% to county only – imposed on total AGI of given county; for any lawful purpose
  - Up to 0.4% to all units providing Fire/EMS
    - Distributed based on per-capita and service area ratios (difficult to model)
  - Up to 0.2% to non-municipal units; for any lawful purpose
  - Combination of above rates may not exceed a total of 1.7%
  - Up to 1.2% for cities/towns with population  $<$  3,500; only imposed on AGI within those cities’/towns’ corporate boundaries; distributed per capita
- City/Town Controlled Rates (population must be  $\geq$  3,500)**
- Up to 1.2% - imposed on AGI within corporate boundaries
    - Often the case where median household income is greater outside cities/towns than in = disproportionately negative impact to cities/towns

## TIF Impacts

- Elimination of 30% business personal property floor on all assets placed into service after July 1, 2025
  - Existing assets grandfathered
  - BPP obligated to debt service in existing TIF allocation areas not subject to 30% floor
- DLGF will neutralize rate increases due to AV loss
  - True impacts difficult to project due to TIF expirations and unknown quantity of new BPP versus old
  - DLGF also has authority to make TIF whole in the event of rate/av decreases; requires justification
  - Again, parcel-level analysis is best way to accurately project impacts

## Debt Controls

- All new general obligation bonds, issued after May 1<sup>st</sup>, 2025, for short term debt (5 years or less) subject to 1-year “cool-off” period
  - Any 2-year or less GO Bond already outstanding is retroactively subject to 1-year “cool-off”
- Property tax backed debt: controlled project thresholds as follows:
  - **Municipalities: Unit total property tax debt service rate > \$0.2500**
  - **Schools: Unit total property tax debt service rate > \$0.4000**
  - **Subject to DLGF Final Legal Opinion: current assumption is that individual project thresholds and processes will still apply, per existing Statute**
- Moves all referenda to even numbered years (general election)
  - Schools cannot place controlled project referenda on ballot the same year as current referenda expire
  - Will ultimately cause more project delays and more property tax rate fluctuations

## Levy Appeals

- Eliminates 3-year growth appeal and extension of services appeal (except under annexation or emergency)

## Fire Territories

- Territories established after Jan 1, 2025, capped at \$0.4000 property tax rate
- Requires counties to approve all fire territory LIT distributions

## Budget Procedures

- Requires additional budget public hearing
  - Only the tax rate and budget to be discussed during meeting (only agenda item)

*Disclaimer: Opinions, information, and statements made by Reedy Financial Group, PC, do not and are not intended to constitute legal advice.*

