Indiana Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

Counties have authority to:

• Levy real property taxes

• Establish special taxing districts for various purposes, such as economic development.

• Levy an ad valorem tax on all tangible property unless it is exempted. In general, vehicles that are subject to license or excise taxes are exempt from ad valorem property taxes. (Intangible personal property is presumably exempt from taxation.)

• Levy a wheel tax and an annual license tax on commercial and personal motor vehicles with variable rates.

• Levy one of two income taxes: One possibility is a county gross adjusted income tax with various rates no greater than 1 percent among which a county can choose. Another possibility is a county option income tax with an established rate that increases a set amount each year until reaching a maximum of 0.6 percent for residents and 0.15 percent for non-residents.

Counties do not have authority to:

• Levy general sales or use taxes.

**Mandated/Authorized Transportation Services:**

• Counties may appropriate money and levy taxes for the construction, improvement, enlargement, and maintenance of county roads, bridges, alleys, or other transportation related public works projects. (For the purposes of Indiana statute, airports are considered public works.)

• Counties may issue bonds and otherwise contract debt to complete any road or bridge building project

• The county and a municipality may enter into an agreement regarding county and municipal roads, to last no longer than four years, in which the county agrees to provide maintenance or construction services to municipalities in exchange for a service or funds from the municipality.

• Counties may additionally operate public transportation units, including railroad terminals, bus depots, airports, wharves, and other transportation facilities.

• Counties may regulate public transportation with such rules as may protect public interest and safety, including the power to regulate the price of taxis.

• Counties may establish multi-county infrastructure authorities governed by boards. The board shall create a long-term infrastructure development plan for the establishment of infrastructure, including roads, bridges, and public transportation. The authority may fund the execution of the plan by receiving money from counties, as well as issuing bonds and levying assessments on improvement areas.

## **Funding Sources for County Transportation Projects:**

Counties Receive:

• A portion of the proceeds from the 22.5 percent state tax on gambling revenues. It may enter into interlocal agreements with cities about how to share these proceeds.

• A portion of the revenues from a state tax on motor fuel. The funds must be allocated for the construction and maintenance of local highways.

• A portion of the revenues collected from the tax that the state imposes per passenger on operators of gambling riverboats.

• Counties Transportation Funding, Indiana 2011

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|  | **Federal** | **State** | **County Supplemental** |
| **Shares** | 2% ($14 million) | 58% ($370 million) | 40% ($260 million) |

• County Supplemental Funding, Indiana 2011

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| **Revenue Source** | **Share** |
| Local Option Highway User Tax (LOHUT) | 27% |
| Refunds and Reimbursements | 26% |
| County Option Income Taxes | 12% |
| Miscellaneous | 11% |
| Gaming Fund | 5% |
| Permits and User Fees | <1% |

## **Challenges in Funding and Financing Transportation Projects:**

• There is an $800 million per year funding need, according to AIC President Penny Lukenbill. Many roads have fallen to severe disrepair, and counties have had to return some roads to gravel.

## **Innovative Solutions to Funding and Financing Challenges:**

• HB 1001 passed in February 2013, redirects all gas taxes to roads. (Current law allows gas taxes to be used to fund a variety of state agencies including Indiana State Police, the Bureau of Motor Vehicles, and the Department of Revenue.) The new formula also redirects 1.5 percent of sales tax money to roads.

• The Indiana House version of the budget increases road funding overall across the state by $250 million each year of the biennium. Counties would receive $68.15 million, each of the next two years.

• The bill changes the distribution of Sales and Use Taxes, but will not affect the total amount collected. It reduces the amount deposited in the state General Fund and deposits a portion of Sales and Use Tax revenue in the Motor Vehicle Highway Account (MVHA). The bill removes the requirement that the MVH pay one-half of the amount appropriated to the State Police Department for its operations. Shifting the responsibility for payment of net State Police expenses from the MVH to other funds would result in approximately $80 million - $90 million in additional MVH funding available for distribution to INDOT, counties, and cities and towns each year, depending upon the level of State Police appropriations for the biennium.