



New Revenue: Frequently Asked Questions

As of April 13, 2022. As details are developed, this document will be updated.

About the Local Income Tax

What is a Local Income Tax (LIT)?

The Local Income Tax (or LIT) is a tax on income, paid by individuals. It is a proportionate tax on state adjusted gross income, assessed at a flat rate, meaning that the more income you earn, the more tax you pay. The LIT rate is set and imposed countywide.

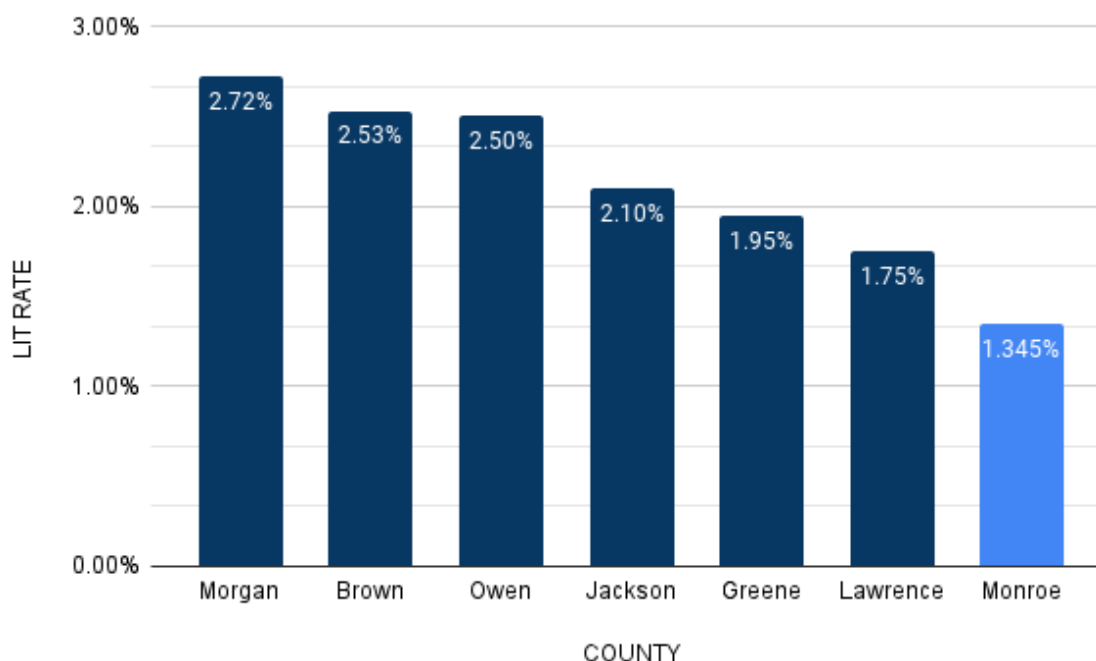
What is our current Local Income Tax rate?

The LIT rate for Monroe County is currently 1.345% of adjusted gross personal income for Monroe County residents.

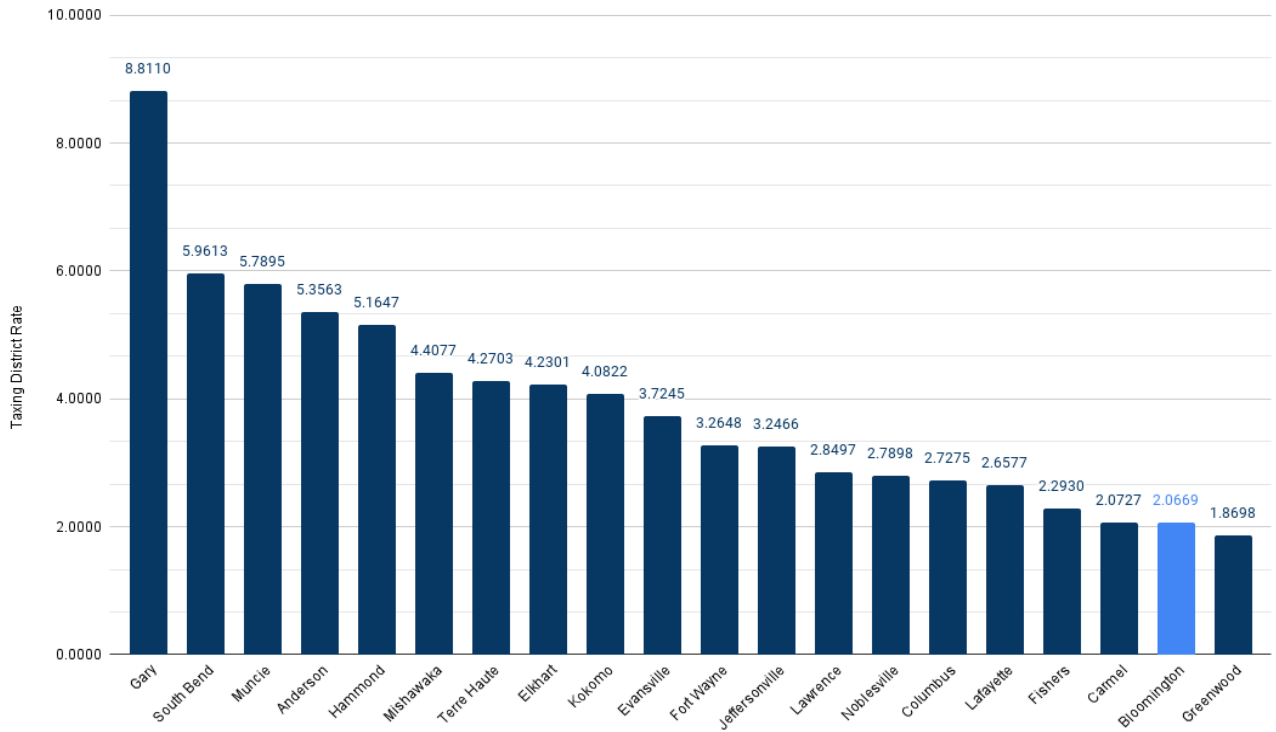
How does our tax rate compare to other communities?

Historically, Monroe County has among the lowest tax rates in the region, including the lowest local income tax rate of our seven contiguous counties. Monroe County's rate ranks 23rd from the lowest among the 92 counties in the state - in the bottom quartile.

Source: Indiana Department of Revenue



Note that among Indiana’s 20 largest class-2 cities (excluding the unique combined city/county of Indianapolis/Marion County), Bloomington is a very low-tax city. Specifically, we are in the lowest quartile of those cities both for property tax rates and local income tax rates.



Source: Reedy Financial Group

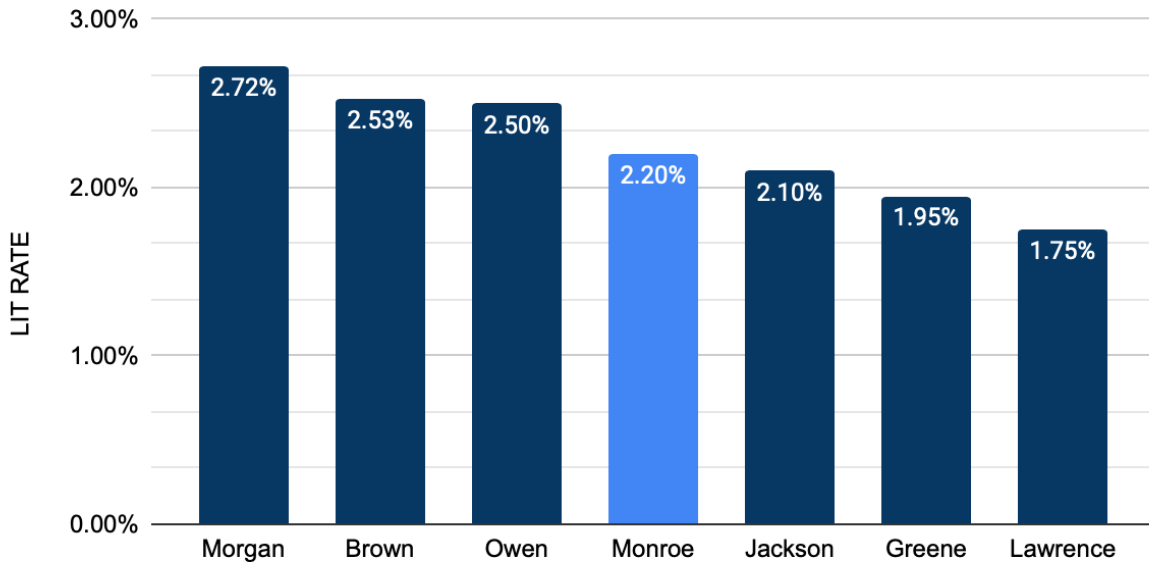
What is the proposed increase percentage for the Local Income Tax (LIT)?

The proposed rate increase is 0.855%, bringing the total tax to 2.20% of state adjusted gross personal income.

How will our tax rate compare to other communities if the increase is passed?

A 0.855% increase in the LIT would result in a LIT rate of 2.20% and that places Monroe County exactly in the middle of our contiguous counties – three higher and three lower.

with proposed 0.855% point rate increase



What is an Economic Development LIT?

The Economic Development Income Tax (ED LIT) was authorized by the Indiana General Assembly in 1987 to provide funding for local economic development projects that increase local employment opportunities and/or attract or retain businesses, and relevant operational and administrative expenses.

Are LIT funds distributed based on population or assessed value?

State law establishes different distribution metrics for different types of local income taxes. ED LIT funds can be allocated based on two different metrics, at the option of the Local Income Tax Council: (1) proportional property tax levy, plus, for Monroe County a welfare allocation amount, or (2) population. The City has proposed using the simpler and more sensible population-based allocation method.

Are there limitations on what an ED LIT can be spent on?

No, an ED LIT can be spent on any legal and permitted use of the City.

Under an ED LIT, how is the funding distributed?

With an ED LIT, the funding is distributed to the County government and all municipalities within the county, based upon the population of each taxing unit:

- City of Bloomington: 58.3%
- Monroe County: 37.0%
- Town of Ellettsville: 4.6%
- Town of Stinesville: 0.1%

How much revenue would the additional tax generate?

Reflecting the healthy growth of our local economy, the following are estimates of the annual revenue impact of a 0.855% point ED LIT increase:

- City of Bloomington: \$18.00 million
- Monroe County: \$11.40 million
- Town of Ellettsville: \$1.43 million
- Town of Stinesville: \$44,000

There are different components of LIT a community can raise: Economic Development (ED LIT), Certified Shares (CS LIT), and Public Safety (PS LIT). Why is an ED LIT being proposed, and why?

The City of Bloomington is proposing an increase in the economic development local income tax (ED LIT). This type of LIT is the most flexible in terms of what it can be used for, and it focuses the funds raised on County and municipal governments. The PS LIT is currently at the maximum allowable amount, but funds raised through an increase in the ED LIT could be used in part for public safety.

The City gets a higher percentage of ED LIT raised compared to CS LIT (58.3% vs. 37%), so an ED LIT allows for the City to raise the same amount of money without raising the LIT rate as much.

LIT Logistics and Implementation

How does the LIT change?

A new Monroe County tax may be proposed by the Bloomington City Council, the County Council, the Ellettsville Town Council, or the Stinesville Town Council. These Councils together form the “Local Income Tax Council” or LIT Council for Monroe County. The Councils can meet together to vote, or each council may vote on the proposed tax separately. The LIT Council has 100 votes in total, which are distributed among the member councils based on population. Because a majority of Monroe County’s population lives in Bloomington, Bloomington’s City Council has a majority share of the votes.

Is this “taxation without representation?”

No. The County’s Tax Council (made up of the fiscal bodies of the County, Cities & Towns) is designated in each county with the authority to impose a local income tax. Every member of each county fiscal body, like every City Council member, has representation on the LIT Board and each gets to vote on a proposed tax, with proportional voting power. A total number of 100 votes is allocated based on the population of each of the fiscal bodies within that county, as follows:

- Each of 9 City Council members: 6.30 votes
- Each of 7 County Council members: 5.49 votes
- Each of 5 Ellettsville Council members: 0.95 votes
- Each of 3 Stinesville Council members: 0.05 votes

Any combination of affirmative votes adding to more than 50 (out of a total of 100 possible votes) determines the outcome of any LIT council vote on a proposal.

Are funds raised by the LIT put into a special fund or the general fund for the City, and why?

In response to feedback received, funds resulting from a LIT increase would go into a special fund to increase transparency. The annual City budget process is public and requires approval by the City Council. This provides an annual opportunity explicitly to review and refine the way the new LIT proceeds are spent.

Why didn't the LIT proposal published on March 16 include a percentage increase?

The first step in this process is to identify necessary community projects and programs and how much those projects will cost annually. The resulting LIT rate is primarily just a function of the work done in step one--after the Council and the Mayor and the community have identified desired projects, we sort out the resulting LIT rate as step two of the process. That rate decision is ultimately what the Council formally acts upon – adopting a new rate through formal resolutions and votes. Basic parameters on the limits of a LIT rate are of course part of the conversation, but within those limits, the focus is first on deciding which projects should be funded, not on the rate itself.

As of April 6th, the proposed LIT increase is now identified at 0.855% as an Economic Development LIT using a population allocation method.

What does the portion of LIT for property tax relief mean?

Indiana Code 6-3.6-5-4 allows a county to impose a LIT rate to be used as a credit against property taxes. This allows the County to use LIT funds for the purpose of offsetting property taxes for all residents: this operates essentially as an exemption/credit on a person's property taxes.

Could we sunset the LIT at a later date if it was no longer necessary?

Local income taxes can always be reduced or eliminated by the Local Income Tax Council.

How long have we been paying a LIT in Monroe County?

A County Option Income Tax (prior name of what is now called the LIT) was first established in 1984, at a rate of 0.5%. In 1989 that rate was increased to 1.0% (with a brief phase in period). That basic rate hasn't changed in 30 years. In 2014 a special new rate of 0.095% was added specifically to fund needed juvenile justice services, and in 2016 a special new rate of 0.25% was added specifically to fund public safety needs across the county.

Why Raise the LIT?

“These investments are crucially important to our community,” said Mayor John Hamilton. “We haven’t had a general increase in our LIT for 30 years, during which time our needs have grown substantially and our challenges have mounted. We have more parks and sidewalks now. We have more residents and more employers. We face a climate emergency. Our residents need more affordable housing. New revenue will fund our continued recovery from the pandemic and recession, to assure Bloomington helps people thrive, whatever their station in life.”

Why doesn’t the City just cut costs and tighten its belt instead of raising the LIT?

The City consistently reviews and implements ways to save money through innovation and critical assessment of programs and services provided. Programs and services that have proven necessary and helpful to residents continue; those that are not are improved upon or discontinued. Savings in the past several years include but not limited to solar panel installations that lower energy costs; adding quick response vehicles to the Fire Department fleet reducing wear and tear on expensive large equipment like ladder trucks; implementing contactless parking via ParkMobile; replacing paper forms and processes with digital improvements across departments; automating workflows for the Fire Department and Police Department; reducing the number of street-sweeping vehicles and the number of routes; more efficient deployment of Public Works crews in longer day-shifts; and revamping how leaves are collected and processed. The scope of services, programs, and projects that the City seeks to provide to its residents, however, is much larger in scope; savings cannot fund these needs without drastic and damaging reductions in personnel and essential services.

What would happen if the LIT didn’t pass?

Bloomington would be faced with very significant challenges in the coming years meeting our current level of services and continuing to move forward on economic, social, and environmental justice endeavors. The City Council would not be able to ratify the agreed-upon FOP contract, as there are no funds available for the additional salary costs (approximately \$1.5 million annually.) Many other initiatives such as those outlined in the Climate Action Plan (CAP), affordable housing investments, or public transit improvements would also not have funding available.

Why is this being proposed now?

An increase is essential if we are to be proactive about rebuilding our community from this downturn in a way that better incorporates our goals for public safety and economic, racial, and climate justice. We also have to plan ahead, and one never knows if and when the state legislature might adjust a municipality’s ability to accomplish new revenues. Mayor Hamilton proposed a 0.5% increase to the LIT in January of 2020, designed for climate change action and preparedness and equity. The onset of the COVID-19 pandemic made this not feasible at

the time. In the fall of 2020, Mayor Hamilton proposed a 0.25% increase to the LIT, focused on COVID response, climate action, and economic justice. This did not receive sufficient affirmative votes to be implemented.

As our community recovers from the COVID-19 pandemic, amid rising labor and materials costs, we will not have the resources we need to meet our stated goals as a community without this increase in the LIT. We are very fortunate that federal funds arrived in time to allow continued services. Significant programs and initiatives have been operated in 2021 and 2022 with American Rescue Plan Act (ARPA) dollars to keep our community safe and operating and to “Recover Forward” out of the recession toward a more equitable, sustainable future. Many of these essential efforts cannot continue without an increase in the LIT providing ongoing funding.

The needs are urgent and the sooner the LIT is approved the sooner we will have resources available to address our community’s needs.

How will this revenue help Bloomington recover from the COVID pandemic?

City government has a responsibility to Bloomington’s future even as we seek immediately to repair the damage wrought by the COVID pandemic. The revenues generated by the proposed Local Income Tax are needed not only to compensate for the current downfall but to build the City back in a way that ensures long-term and widely distributed well-being and resiliency. Proposed investments will move us toward this stronger, more just, and more sustainable future by increasing access to jobs, housing, social services, transportation options, quality of life, retaining and attracting well-trained public safety professionals, and more.

LIT Impact

The LIT is a flat tax. Can we make the impact of the LIT more progressive (i.e. less burdensome on low-income residents)?

The State of Indiana doesn’t allow municipalities to levy a wealth tax or a progressive income tax. The LIT proposal does include \$1,000,000 annually for an economic equity fund that would provide direct benefits to low-income working residents and families.

Social security benefits—both retirement and disability—are not currently taxed by the State of Indiana or local governments such as ours.

Is the tax just for City residents or would it apply to all residents of Monroe County?

According to state law, local income taxes are county-wide; so the LIT would apply to all Monroe County residents. Revenues are allocated to different local jurisdictions – cities, counties, etc. – according to a state formula.

Do all Indiana counties have a tax like this?

All 92 Indiana counties have a Local Income Tax.

Locally, how many new taxes or raised taxes have been enacted since 2016?

Two. The public safety local income tax was adopted by the LIT Council in 2016 at a 0.25% rate to fund police, fire, and dispatch improvements that protect us all. The food and beverage tax, enacted by County Council in 2018, was a new 1% sales tax placed on retail sales of prepared food and beverages and will be used to fund a convention center expansion and other tourism-related projects county-wide.

About General Obligation Bonds

What is a General Obligation (G.O.) bond?

A general obligation bond (G.O. bond) is a municipal bond backed solely by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project. General obligation bonds are issued with the belief that a municipality will be able to repay its debt obligation through taxation or revenue from projects. No assets are used as collateral.

What are the benefits of using G.O. bonds to fund projects?

G.O. bonds allow cities to fund high-cost long-term capital infrastructure that allows repayment of longer periods of time. Typically bonds are issued with a repayment term of 5 to 30 years. G.O. bonds are backed by and repaid with local property taxes and are guaranteed by the State to receive first priority funding. Because of this repayment source, they generally receive a Governmental unit's highest bond rating and are therefore considered a safe investment. In addition, these G.O. bonds are generally exempt from state and local taxes.

What projects are best suited to being funded with a G.O. bond?

One-time capital investments are good projects for being funded with a G.O. bond, such as a multi-use trail or essential equipment replacements.

Proposed Climate Action Plan Investments

The proposed LIT increase provides \$1,750,000 annually in investments to implement the Climate Action Plan (CAP). What are examples of items that could be implemented?

The Climate Action Plan can be found here: <https://bton.in/ZC2Y5>

1. Transportation investments
 - a. City fleet vehicle electrification (*CAP TL 2-A: support and encourage electric vehicle adoption*)
 - b. Expanded micromobility options (example: electric bike share program) (*CAP TL 1-B*)
 - c. Transportation demand management (*CAP TL 1-A: reduce single-occupancy vehicle use*)
2. Energy and built environment investments:
 - a. Energy efficiency retrofits for all City buildings (*SAP 8.1: reduce non-renewable energy use from municipal operations*)
 - b. Bloomington Housing Authority solar conversion (*CAP EB1: increase distributed renewable energy*)
 - c. Continuing and expanding the Solar & Energy Efficiency Loan (SEEL) program for nonprofits and small businesses (*CAP EB5: increase financing options for energy efficiency and renewable energy*)
 - d. Continuing and expanding the Bloomington Green Home Improvement Program (BGHIP) for homeowners (*CAP EB5: promote equity in energy and resource costs and ownership*)
3. Local agriculture investments:
 - a. Local food purchasing incentive program (*CAP FA 3: increase and stabilize the local food market*)
 - b. School food garden program (*CAP FA 3: increase local food supply*)
 - c. Incentives for food processor businesses (*CAP FA 3: increase local food supply*)
 - d. Increased community gardens (*Sustainability Action Plan 4.2: increase food gardens within the community*)
4. Waste management investments:
 - a. Curbside composting program, parallel to trash and recycling services (*CAP WM1: increase organics diversion*)
 - b. Recycling services for apartment buildings and other multi-family units (4+) (*CAP WM 1: increase recyclables diversion*)
5. Additional tree canopy measures, such as shade trees in high heat areas and/or private tree planting incentives (*CAP G2: increase citywide tree canopy coverage*)
6. Funding for the Green Ribbon Panel to accelerate climate action (*CAP CE 2: attract, create, and support businesses that are committed to sustainability and climate goals*)