



KOKOMO PERSPECTIVE

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Another tax bill

New income tax recommended to decrease property tax

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Owe for two.

A new .5 percent income tax designed to reduce property taxes is closer to reality after the Howard County Council last week recommended it to the Kokomo Common Council. The Local Option Income Tax is expected to generate revenue of \$6.4 million, resulting in a 20 percent property tax reduction, council members told about 100 residents at a Sept. 10 public hearing.

Homeowners are expected to save about 4.5 cents on every \$100 of assessed property. The tax shift proposal is in response to huge corporate tax breaks which led to soaring property taxes around the state.

Council members, who were given three options by the state, said the proposal was not perfect but was the most equitable solution despite placing a greater burden on renters. While the wealthy and those living beyond their means will have their property taxes reduced, councilmen Paul Wyman said the tax is not a bailout.

"This is to get much needed relief to the homeowners of Howard County," Wyman said after the hearing. "It isn't about growing government. It isn't about anybody making out like a bandit. We had a shift from commercial to residential, and we're trying to move a portion of that shift to a more fair tax."

Opinions were evenly divided among the dozen people who spoke before the council, but all agreed that they are overtaxed.

"People in Howard County are in dire straits. We're desperate," said resident Bob McKeen who supported the new tax. "Try to assure the residents of Howard County that there won't be another property tax increase once we pass this. It's just not fair."

Supporters of the tax asked councilmen to reduce spending, which would mean service cuts and employee layoffs. Tom Trine, owner of the Windmill Grill, called for regionalizing local and county government to reduce duplication of services and turf battles.

"I don't understand why we have a city government and a county government," Trine said. "It can be done with less."

Renters worried that in addition to paying the tax they will see a rent hike. "There are people out there suffering and on low incomes," said Harold Hiemeland, who asked council members to guarantee that landlords who receive the property tax cuts reduce rents.

Lynne Sullivan, Indiana Apartment Association executive director, said landlords have forgone maintenance on their properties or undergone foreclosures to deal with rising costs. Sullivan said the new tax is a bad idea. She noted that Howard County residents paid some \$4.6 billion in income taxes in the last fiscal year compared to about \$987 million paid by corporations and that works out to an 82 percent to 17 percent breakdown.

"If you're going to raise income taxes, you are going to put it on the individual. You're not shifting it back to commercial properties," Sullivan said. "People who live in apartments, that's their home too."

In response to Wyman's question, Sullivan said landlords, some of whom she said have seen 60 to 70 percent cost increases, were unlikely to lower rents if included in the property tax cut. But Sullivan said they would be less likely to raise rents and more likely to invest in maintenance.

Wyman, who favors repealing some business tax abatements but not restoring the business inventory tax, said the council does not have the power to do it. Demetrius Thompson said councilmen may not have the power to reinstitute the inventory tax, but they can lobby the state legislature to do so. He singled out Haynes International, which he said saw an approximately \$54 million tax cut through abatements, tax credits and the abolishment of the inventory tax.

Rather than spurring real economic development, Thompson said cutting the property tax would only encourage out-of-state businesses to use Indiana as a warehouse for storing goods. "The whole thing is no more than a Band-aid on a hemorrhaging wound," Thompson said of the new tax, drawing applause from the crowd.

The Howard County Tax Council, which consists of members of the county council, common council, Greentown Town Council and Russiaville Town Council, has until Dec. 31 to decide on the tax.

Crisis Management

Cutting taxes to corporations have bloodied Kokomo and the rest of Howard County, costing it about \$15 million. Proponents of a new income tax say it is the best way to ease the property tax crisis facing homeowners.

Revenue Losses

Business Abatement/Credit loss: \$10 million

Business Inventory Tax Loss: \$4 million

Property Tax Replacement Credit Loss: \$1 million

Revenue Gains

- Local Option Income Tax generates \$6.4 million in revenue for a 20 percent reduction in property taxes for homesteaders.
- Helps residential property owners who absorbed bulk of property tax shift from commercial to residential.
- Reduces reliance on property taxes.
- Motivates citizens to push for tax reform at state legislature.

Source: Howard County Council

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