The Real Cost of Guesswork
Local Leaders Call for Urgent Fix to SEA1 to Protect Residents

By Elkhart County Leadership: Elkhart County Commissioners, Elkhart County Councilors, Elkhart County Mayors of Elkhart, Goshen, and Nappanee

Indiana families work hard to stretch every dollar. When lawmakers propose legislative changes to save homeowners money through property tax relief, the message hits home. Indiana already has one of the most favorable property and business tax rates in the nation. Yet, rising assessments (driven by national inflation and a housing crisis that has pushed home values higher) have strained many family budgets, especially for those on fixed incomes.

Rising State Assessments

Over the last five years, residential property assessments in Indiana have risen sharply, nearly 10 percent in the past year alone.[1] This has pushed homeowners' share of the property tax load to more than half (54 percent) of all property taxes statewide, up from under 50 percent just a few years ago.[2]

Importantly, this increase is not primarily the result of local governments in Elkhart County expanding their budgets. Local operating budgets have generally grown only modestly, in line with cost-of-living adjustments. The temporary increases residents may have noticed in recent years came from federal COVID relief funds, such as the American Rescue Plan Act (ARPA), which provided short-term dollars for infrastructure and recovery projects. Those funds must be spent by the end of 2026 (and were never part of the long-term tax base). Meanwhile, higher property assessments mean families are paying more even when tax rates stay the same (or, as is often the case in Elkhart County, go down), shifting more of the burden onto homeowners while businesses pay proportionally less.[2]

Addressing the Root of the Problem

As local leaders, accountants, and financial advisors examine the impact of Senate Enrolled Act 1 (SEA 1), three things are clear:

1. The adopted formula from the 2025 bill does not address the rising burden from increasing assessments (Your total tax bill is likely to go up).

2. The revenue reductions created by the SEA 1 shift costs onto homeowners in unintended ways due to the new state-created levy formula.

3. Most Elkhart County residents, homeowners, and renters are likely to see new or higher fees that erase any temporary gains.

Emergency Fixes Imposed by SEA 1

Much like the State of Indiana responded to its more than $2 billion budget shortfall this year by raising cigarette taxes to generate $800 million in new revenue while also cutting higher education and public health, [3] SEA 1 effectively urges cities, townships, libraries, and counties to increase fees for income and services to offset revenue shortfalls.

Governor Braun, in a recent address to mayors across the state, specifically suggested that the City of Goshen adopt a Wheel Tax to compensate for shrinking revenue from SEA1. *"Wheel taxes are something you're going to need to use… it's going to be hard for the state to partner up in places that need even more for their own roads."*[*4]

Fix Rather than Shift Cost

As local leaders across Elkhart County, we are deeply concerned about the problematic formula and unintended consequences of the state's new property and income tax law. Raising fees and taxes to fix a broken formula is bad business all around. Residents lose, communities face serious obstacles to fund much-needed infrastructure maintenance, and everyone pays more.

This legislation was meant to create fairness. Instead, it has created uncertainty, shifting burdens in ways that threaten critical services in our communities. Unless corrected, the result will not be lower costs for families, but fewer services, higher fees, and a heavier tax load on individual homeowners and renters.

What's at Stake for Local Families

Under the new formula for property and local income tax, revenue that local units rely on to maintain roads, fund police and fire protection, and provide basic services like trash pickup and sidewalk repair is projected to shrink dramatically. [4] In some cases, the reductions could reach more than 30 percent of current budgets by 2028.

When budgets shrink, communities do not stop needing safe streets, clean water, or emergency medical response. Instead, families may face new fees for basic needs like leaf, brush, or trash pickup, slower response times in an emergency, and deteriorating roads and sidewalks. Homeowners, not businesses, will bear more of the burden.

Unintended Consequences Requiring a Fix

- **Double Taxation Risk:** Residents in cities may pay more than those in unincorporated areas, since municipalities may be forced to adopt a municipal income tax to maintain public safety, and by current law, this would duplicate the county income tax already in place.

- **Shift from Businesses to Homeowners:** With the business personal property tax largely eliminated, depreciation floors reduced, and the state-created levy system still in place, more of the tax burden will be shifted onto local homeowners, even though businesses still depend on city services like roads, police, fire, and courts.
- **Unequal Homeowner Impacts:** The switch from the Homestead Deduction to the new Supplemental Deduction disproportionately benefits larger, higher-value homes, while modest homeowners shoulder a heavier share of the shift.
- **Annual LIT Uncertainty:** Beginning in 2027, local governments must re-vote every year to keep their Local Income Tax (LIT) in place. Local leaders are not opposed to accountability; in fact, we would welcome this requirement if the state legislature held itself to the same standard. As it stands, SEA 1 imposes an annual hurdle on municipalities while the state continues its own tax rates indefinitely. This creates instability for local budgets and places an unequal burden on communities already stretched thin.

Lack of Reliable Data

Even more troubling is that local leaders do not yet have reliable revenue projections to plan responsibly for the implementation of the new law. The state has indicated that the earliest realistic numbers may not be available until July 2026, well after local governments must pass budgets by September 2025.[4] This leaves cities and counties effectively budgeting blind.

No household or business would plan its finances this way, and local governments should not be forced to either.

A Call for Partnership

We recognize the desire to modernize Indiana's tax system and create a better property tax system for Hoosiers, but this new law falls short of these goals. Until reliable data can be produced and the unintended consequences addressed, we urge the legislature to fix the obvious flaws and anomalies impacting our communities. Rather than asking local governments to supplement losses and freeze for two years while the state recalculates, let us continue to serve our residents with stability and transparency while long-term reform is developed.

This is not a partisan issue. Leaders from cities, towns, and counties across the political spectrum have voiced concern. Our request is simple: partner with us to ensure stability and fairness for homeowners while the state pursues its long-term goals.

Moving Forward Together

Indiana has long taken pride in its fiscal responsibility. That must include ensuring that reforms do not harm the very families they are meant to help. Homeowners deserve clarity, fairness, and the assurance that their basic services will remain intact.

We stand ready to work with our state legislators to find a solution, but we cannot afford to wait until 2028 to act.

References

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Signed by:

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Elkhart County Commissioners

8. Bob Barnes, Member, District 1 - representing the townships of Concord and Washington
9. Brad Rogers, President, District 2 - representing townships of Benton, Clinton, Elkhart, Jackson, Jefferson, Middlebury and York
10. Suzanne Weirick, Vice-President, District 3 - representing townships of Baugo, Cleveland, Harrison, Locke, Olive, Osolo and Union

Elkhart County Mayors

11. Gina Leichty, City of Goshen
12. Phil Jenkins, City of Nappanee
13. Rod Roberson, City of Elkhart