All About LOHUT

The Wheel Tax!!
What Is a LOHUT?

• Local option highway user tax
  – What’s in a name?

• Only local optional tax specifically for road funding available
  – Passed Indiana legislature in 1980
LOHUT Is Two Different Taxes

1. County motor vehicle excise surtax
2. County wheel tax

Must be adopted concurrently

Cannot have one without the other!
1. County Motor Vehicle Excise Surtax

- A surtax on the vehicle excise tax paid at time of registration
- Applies to:
  - Automobiles
  - Motorcycles
  - Trucks under 11,000 pounds
Excise Surtax Rates

• The excise surtax can be:
  – 2% to 10% of the excise tax
    • But not less than $7.50, or
  – Flat amount of $7.50 to $25.00 per vehicle

• Must be same rate or amount on each motor vehicle
  – Excise taxes run from $12 to $1063
  – Depending on the original cost and age
2. County Wheel Tax

- County wheel tax is really a vehicle tax
- Applies to all vehicles NOT subject to the excise surtax, primarily larger and commercial vehicles
- Includes:
  - Buses
  - Recreational vehicles
  - Semitrailers
  - Tractors
  - Trailers
  - Trucks
Wheel Tax Rates

- Rate may be between $5.00 and $40.00 per vehicle
- May have different rates for each class of vehicles
- May have different rates within each class based on the weight class
Wheel Tax “Exceptions”

• Does NOT include vehicles that are:
  – Owned by the state
  – Owned by a political subdivision
  – Subject to the annual excise surtax
  – Buses owned by religious or nonprofit youth organization
How to Pass LOHUT

• County Council must CONCURRENTLY pass an ordinance adopting the Excise Surtax AND the Wheel tax.

• Must give notice

• If not unanimous vote, then must pass at two different meetings.
Effective Dates

• If passed after December 31 and before July 1, then tax will be collected the next year
  – Passed before July 1, 2012...
  – ...effective January, 2013

• If passed after June 30 but before January 1, then tax will be collected in two years
  – Passed on or after July 1, 2012...
  – ...effective January, 2014
How is the money collected

• Both taxes are paid at time of registration at the BMV branch or main office
• BMV remits both taxes to County
• BMV retains processing fee of $0.15 per transaction
• County Auditor allocates the money
• County Treasurer distributes
Statewide Activity

• 25 counties w/ LOHUT prior to 2001
  – 1 county passed in 2002
  – 8 counties passed in 2003
  – 2 counties passed in 2004
  – 2 counties passed in 2005
  – 2 counties passed in 2005 after July 1 deadline
  – 3 county passed in 2006
  – 2 counties passed in 2007
  – 1 county passed in 2008
  – 1 county passed in 2009

• 47 counties now have LOHUT in place
• At least 10 additional counties are considering
Statewide Activity

- Currently 51% of the counties have LOHUT
  - 47 of 92 counties
- But, 62.6% of the state population pays LOHUT
  - Most populated counties passed the tax very early
  - 6 of the 10 most populated counties have already passed LOHUT
Everybody Gets a Cut!

• Don’t think that the county gets it all
• All $$$ raised is shared by:
  – County
  – Cities
  – Towns
• Distributed by the Local Road & Street formula
LRS Formula...

- Total county population more than 50,000
  - 60% based on relative population
  - 40% based on relative mileage
- Total county population less than 50,000
  - 20% based on relative population
  - 80% based on relative mileage
Revenue from the Tax

- The majority of the income comes from the Surtax
- Surtax more sensitive to rate changes
- Amount generated statewide in 2010: $69 million
- LTAP Program to analyze rates
## LTAP Program Output

### Hendricks County

<table>
<thead>
<tr>
<th>County</th>
<th>Cash</th>
<th>Earned</th>
<th>Outlets</th>
<th>Net County Sales Revenue</th>
<th>Total Net County Sales Revenue</th>
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### Vehicle Types

<table>
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Friday, September 02, 2011  
Page 1 of 1
Limitations on use

• Law requires that LOHUT revenue be spent to “construct, reconstruct, repair or maintain streets and roads under its jurisdiction.”

• Big selling point – can NOT be diverted for other uses, either at state or local levels
Hendricks County’s Experience

• Adopted in 2002
• Approved unanimously on first reading
• Set at flat $20 rate for both taxes
• Restriction on use
• 43% goes to Maintenance, 57% goes to a Bond Issue; second bond issue added in 2009
Hendricks County’s Experience cont’d.

- In 2003 generated $2.3 million with $1.47 million going to the County
- In 2010 generated $3.1 million with $1.8 million going to County
- Considering increase currently
- Problems with distribution
Recommendations

• Political selling points
  – Rates and uses can be customized to fit demographics
  – Limitations on use
  – Completely under local control

• Don’t set rates too low

• Signage of projects
Recommendations cont’d

• Build a Coalition using elected and appointed officials from *all* affected agencies

• Use Facts and Figures – specific estimates of revenue using LTAP program or other sources

• Show the Potential Benefits – specific projects that can be constructed using LOHUT revenue and time frame
Where does LOHUT fit in total funding picture?

- Increasing importance
- Legislature and INDOT expecting locals to help themselves
Any questions?