

## All About LOHUT

The Wheel Tax!!

## What Is a LOHUT

- ⇒ Local option highway user tax
  - ▣ What's in a name?
- ⇒ Only optional tax specifically for road funding available
  - ▣ Passed in 1980
  - ▣ 26 counties have adopted LOHUT at end of 2002

## LOHUT Is Two Different Taxes

- ⇒ County motor vehicle excise surtax
- ⇒ County wheel tax
- ⇒ Must be adopted concurrently
- ⇒ Cannot have one without the other!

## 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

## Surtax Tax

- ⇒ 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

## County Wheel Tax

- ⇒ County wheel tax is really a vehicle tax
- ⇒ Applies to all vehicles NOT subject to the excise surtax
- ⇒ Includes:
  - ▣ Buses
  - ▣ Recreational vehicles
  - ▣ Semi trailers
  - ▣ Tractors
  - ▣ Trailers
  - ▣ Trucks

## 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

## 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



## Use of LOHUT revenues

- ⇒ Excise surtax revenues may be used to construct, reconstruct, repair, or maintain roads (and bridges!?).
- ⇒ Wheel tax may be used for the same purposes as the excise tax AND may be used as a contribution to a multiple county infrastructure authority.

## LOHUT As an Incentive

- ⇒ Recent gas tax proposals have been tied to those counties that have enacted LOHUT
- ⇒ Must have LOHUT to seek loans from the distressed road fund

## How to Pass LOHUT

- ⇒ Two steps to passing LOHUT
  - ▣ Selling it to the community, then
  - ▣ Selling it to the county council
- ⇒ Consensus building
  - ▣ Involving the community up front
  - ▣ Educate the citizens on the need
  - ▣ Involving cities and towns' officials
- ⇒ Show specific plans with and without LOHUT funding

## Statutory Method

- ⇒ 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.

## Sample Ordinance

- ⊖ Available from IACC, Indiana LTAP, or any enacting county

## Effective Dates

- ⊖ If passed after December 31 and before July 1, then tax will be collected the next year
  - ▣ Passed may 1, 2003, then effective January 2004
- ⊖ If passed after June 30 but before January 1, then tax will be collected in two years
  - ▣ Passed august 1, 2003, then effective January 2005

## How Is the Money Collected

- ⊖ Paid at time of registration at BMV
- ⊖ BMV remits both taxes to county
- ⊖ County auditor allocates the money
- ⊖ County treasurer distributes

## Everybody Gets a Cut!

- ⊖ Don't think that the county gets it all
- ⊖ All \$\$\$ raised is shared by:
  - ▣ County
  - ▣ Cities
  - ▣ Towns
- ⊖ Distributed by the LRS formula

## How Much Money Do We Get!

- ⊖ Potential \$\$ from each component
- ⊖ Then, who gets what!
- ⊖ Use LTAP Software for comparison of revenue using various rates

## Summary

- ⊖ LOHUT is:
  - ▣ Easy to understand
  - ▣ Easy to implement
  - ▣ Easy to collect
- ⊖ Cost to taxpayer-with maximum rates
  - ▣ Surtax - \$25/car or (10% w/ \$7.50 min.)
  - ▣ Wheel tax - \$ 40/vehicle
- ⊖ A great replacement fund for LRS

## **LTAP Software**

- ⇒ LTAP has developed software that allows user input of rates
- ⇒ Excise surtax by percentage
- ⇒ Wheel tax and flat excise surtax

Any questions?