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

#### County Cash Tax Valuation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (In):</th>
<th>Amount (Out):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Vehicles</td>
<td>$9,756</td>
<td>$9,756</td>
</tr>
<tr>
<td>Tractors 11,000 lbs</td>
<td>$3,818</td>
<td>$3,818</td>
</tr>
<tr>
<td>Horsepower</td>
<td>$270</td>
<td>$270</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,844</strong></td>
<td><strong>$13,844</strong></td>
</tr>
</tbody>
</table>

#### Net Social Security Revenue (Non)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (In):</th>
<th>Amount (Out):</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,844</strong></td>
<td><strong>$13,844</strong></td>
</tr>
</tbody>
</table>

#### County Wheel Tax Sources

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (In):</th>
<th>Amount (Out):</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUO</td>
<td>$94</td>
<td>$94</td>
</tr>
<tr>
<td>MIL. CARR.</td>
<td>$77</td>
<td>$77</td>
</tr>
<tr>
<td>FARM SON TRACTOR</td>
<td>$152</td>
<td>$152</td>
</tr>
<tr>
<td>FARM SBD TRACTOR</td>
<td>$118</td>
<td>$118</td>
</tr>
<tr>
<td>FARM SBD TRACTOR</td>
<td>$76</td>
<td>$76</td>
</tr>
<tr>
<td>FARM TRED</td>
<td>$220</td>
<td>$220</td>
</tr>
<tr>
<td>FARM TRUCK</td>
<td>$130</td>
<td>$130</td>
</tr>
<tr>
<td>RECOVERY VEHICLE</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td>ELECTRIC KIN-VEHICLE</td>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>SCHOOLS BUS</td>
<td>$46</td>
<td>$46</td>
</tr>
<tr>
<td>SBD TRACTOR</td>
<td>$199</td>
<td>$199</td>
</tr>
<tr>
<td>SBD TRACTOR</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>SPECIAL MACHINE</td>
<td>$17</td>
<td>$17</td>
</tr>
<tr>
<td>TRAILER</td>
<td>$125</td>
<td>$125</td>
</tr>
<tr>
<td>TRUCK</td>
<td>$140</td>
<td>$140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,720</strong></td>
<td><strong>$1,720</strong></td>
</tr>
</tbody>
</table>

#### Net Wheel Tax Revenue From

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (In):</th>
<th>Amount (Out):</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,720</strong></td>
<td><strong>$1,720</strong></td>
</tr>
</tbody>
</table>

---

**Friday, September 02, 2011**

---
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 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?