

Dear Fellow Taxpayers:

In December, 1998 the Indiana Supreme Court declared the method of property tax assessment used by the state of Indiana to be unconstitutional. They ruled that property taxes must be "fair and uniform." The following is a plan presented in 2001 by the Libertarian Party of Indiana. Unfortunately, it was given no consideration by the members of the General Assembly. As a result, many Hoosiers or are now facing a financial crisis: foreclosure!

Three weeks into the 2007 legislative session, members of the Indiana General Assembly (IGA) had filed 1420 bills. Although it is satisfying to know that water is now the official beverage of Indiana, it is beyond frustrating to know our legislators wasted almost 3 months on minutia, while tax reform should have been the main attraction. A special session of the IGA may be necessary to address what they failed to do the first time because tax payers refused to swallow this pill.

Senator Teresa Lubbers, the most vocal IGA member on this issue, plans to replace property taxes with higher income taxes. On her website she states: "...we can shift funding for local services away from homeowners to those with income and the ability to pay." Great! Homeowners fear not, you will be relieved of the burden, unless you have an income. Then you pay the same amount anyway. How about cutting spending Senator?

On a local radio show, Senator Lubbers, expressed "it was a perfect storm that no one saw coming." Well I beg to differ, and you will too once you read the following proposal.

If you read my BLOG or have visited my website, you know I've been openly calling for reform of Healthcare, Education and Property Taxes for some time now. If she and the rest of the IGA think this was a perfect storm, I hate to tell them what I seen on the horizon with these other big issues. My taxpayer forecast: Pain.

Sincerely,

Steve Keltner
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Note: The proposal is 6 years old. I ask you to remember a good rule of thumb: Private schools spend approximately 66% of the funds spent by government schools to educate a student. Although the actual numbers may change, that ratio remains fairly consistent.

The Libertarian Plan empowers local communities through uniform, equal and just reform in property taxes

For years, the state has been under a court order to restructure property taxes. For years, the state's expenditures have been growing, while the overall economy was turning downward. With clever campaigning, the state leaders were able to delay the property tax issue. They were blindsided, however, by their own budgetary mismanagement.

We all know the result. The state government is in economic, legal and moral shambles. And the leaders who brought us to the edge of fiscal chaos would now have us believe their Chicken Little cries of tragedy as a thinly disguised attempt to raise taxes. They have lost the moral right to lead.

It's the Libertarians who propose a sane, workable and positive property tax plan that can turn current events to our favor by empowering local communities with the tools necessary to control taxing and spending.

This reform must be a comprehensive overhaul of not only the property tax, but also the biggest single component of state expenditures, the constitutionally mandated Common Schools.

State-funded Common Schools

There can be no doubt what the framers of Indiana's second constitution meant by the phrase in Article 8, Section 1, "a general and uniform system of Common Schools." Horace Mann revolutionized education in the 1840s with his notions of equal, proven and thorough nonsectarian education paid for by taxation. He called the resulting schools "Common Schools" because they were intended to provide uniform instruction and experience to a diverse population.

The division of funds (debt service, capital improvement, etc.) has been senseless and destructive to the ends of educating our young. Too much education money has been spent for the benefit of adults and to the detriment of our students. Too much has been spent on administration and superintendents' offices. Indiana spends more than most states on buildings, while we are one of the few states that do not pay for books.

While Libertarians generally oppose government involvement in schools, we do support the rule of law represented by the Indiana Constitution, and we want better public schools. We therefore propose that Indiana rededicate itself to the noble intent of Article 8, Section 1 by the following:

- 1. Indiana Common School education is maintained at \$3,500* per student, per year for use in support of classroom activities; reading, writing and arithmetic.**
- 2. The state of Indiana shall disburse the above funds as a per-pupil grant for use in any accredited school (public or charter) within the state.**
 - a. The office of the Superintendent of Public Instruction shall be responsible for verifying each school's accreditation as well as maintaining a list of no less than three accrediting agencies.
 - b. Grant money follows each student on no less than a quarterly basis.
 - c. Parents may send their children to any school of their choosing.
- 3. The state of Indiana shall provide a tuition tax credit of \$1,750 per child against personal state income tax for any dependent enrolled in a non-accredited school, education cooperative, private, parochial or home school.**

4. Per-child rates for state grants and tax credits vary with cost of living allowances as defined by the Social Security Agency, unless otherwise approved by a statewide voters' referendum

5. To promote long term stability of state school funding, we should make every effort to revisit the particulars of Article 8, Sections 2-7 with a Common School Trust Fund.

Local education funding

If gymnasiums, stadiums and swimming pools were community resources and private enterprises rather than tied to school budgets and elite athletes, we'd see much better use of the facilities, far less athletic exclusion, and a healthier attitude toward sport. Nevertheless, these facilities, as well as college-sized school campuses and costly architecture have become local priorities, so we will provide a sane and fair mechanism for the local funding of these embellishments as well as meeting our constitutional requirement of a property tax with the following:

6. The property tax will consist of a flat rate for all land without classification, determined by the county/city assessor's office, per uniform unit of land. All structures will be taxed on a per square foot basis at a rate determined by the county/city assessor's office with each structure falling within one of four classifications: residential, commercial, industrial, agricultural, and all structures within a classification to be taxed at the same rate.

7. Personal property would not be taxed. There can be no uniform, equal and just valuation for personal property, either that visible from the outside, or that visible by inspection of drawers and cabinets.

8. Poor relief should be removed from property tax funding. The property tax shall provide funds for only local-option education, police, fire and park funds.

9. Tax-rate increases and all new county/city taxes will require public approval by county/city referenda.

Fiscal policy reform

Most of the state's current problems have grown from incorrect assumptions and the failed promise of collectivism. While we've come to believe that all human problems require government solutions, this has never worked, and no solution has ever worked as well as the once-prevalent blend of free markets, voluntary associations, and accountable citizens.

Government programs have not had the effect to create new solutions. Instead, every new government program destroys other options, other nongovernmental programs, and creates the new problems of cost, alienation and loss of community spirit.

Property tax is an emergent issue, but Libertarians believe it is wise to preemptively correct the other, more important issues that will become urgent soon. We will be back with our proposals to manage spending at a later date. When we do, we will focus our efforts around two primary concepts.

First, there shall be a 10-year sunset law for all state programs, laws and agencies not specifically mandated by the Indiana Constitution.

Second, the Indiana Constitution must be amended to require a statewide referendum on each change to the Indiana tax code.

*some place this more appropriately at \$6000 today. Remember the ratio is what's important. A 33% cost cut to taxpayers.

Prepared by the following for presentation by the LPIN:

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