



Senate Enrolled Act 1 Impact

Prepared by City of Huntington - Communications Department
April 2026

SEA 1 in 60 seconds

SEA 1 creates a scenario where taxpayers will **PAY MORE** from their household budgets, but **GET LESS** from their local governments.

What is SEA 1?

SEA 1 is a new state law passed in 2025 that changes how property and income taxes work in Indiana. Its main goal is to lower property taxes.

A Net Loss for Huntington Taxpayers

While SEA 1 reduces property taxes, it also shifts more of the tax burden to income taxes. Based on current projections, many households will see their property tax bill go down, but their income taxes go up by a larger amount. In other words, many residents will pay more in total taxes, even with property tax relief.

What Does it Mean for the City?

SEA 1 pushes cities to adopt their own local income tax levies on top of county income tax levies. At the same time, it places caps on these new local income taxes that make it harder for cities to replace the lost property tax revenue. As a result, the City of Huntington is projected to receive significantly less revenue in the coming years.

Why Does that Matter?

Less revenue means fewer dollars available for everyday services residents rely on — including police and fire protection, road maintenance, parks and other public services. City leaders will need to make difficult decisions about budgets, services and long-term planning under the new law.

What Happens Next?

City officials are reviewing the impacts of SEA 1 and evaluating options to manage revenue losses while continuing to provide essential services to the community.

CITY FINANCES AT A GLANCE

Tax Revenue
Property Tax: 59.1%
Income Tax: 40.9%

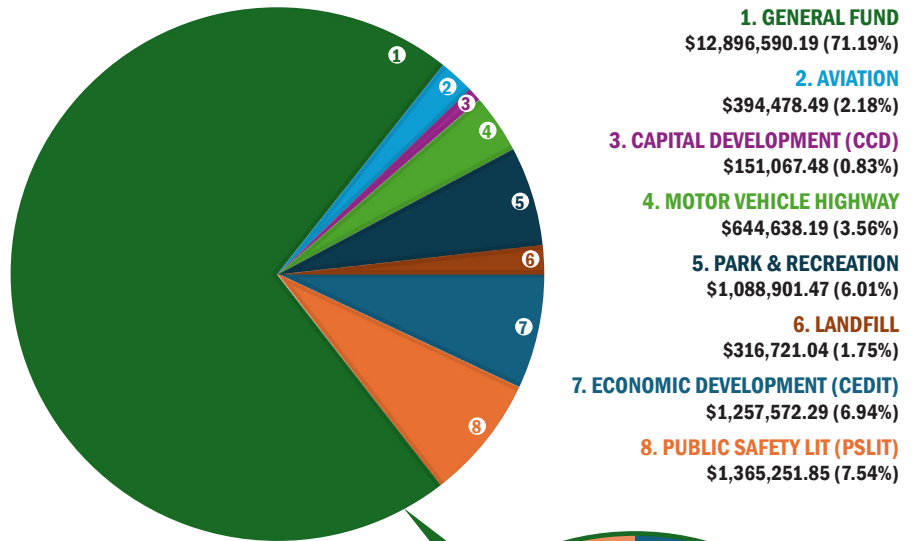
About two-thirds of Huntington's annual operating budget is dedicated to police and fire protection.

Budgeted Spending
Police & Fire: 66%
All other: 33%
• Streets
• Parks
• City Services

Distribution of Property Tax & LIT Revenues - 2026 Projected

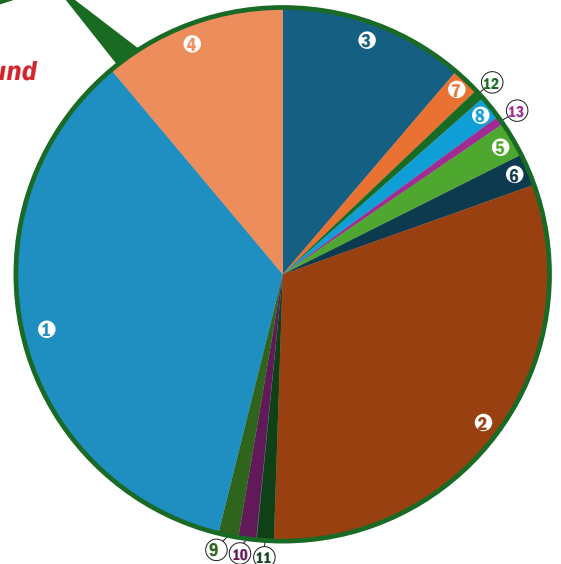
According to Reedy Financial Services projections, the City of Huntington will receive \$18,115,140.00 in combined property tax and local income tax (LIT) revenue in 2026, the first year under SEA 1. That represents a loss of \$413,446 from what the City would have received under the prior law

Illustrative purposes only. Based on share of approved 2026 budget allocations; actual figures will fluctuate based on spending within appropriations.



Departments in the General Fund

1. Police Dept. (\$4,496,694 - 35.02%)
2. Fire Dept. (\$3,978,193 - 30.98%)
3. Board of Public Works & Safety (\$1,444,140 - 11.25%)
4. Street Dept. (\$1,426,012 - 11.10%)
5. Community Development & Redevelopment (\$275,509 - 2.15%)
6. Engineering Dept. (\$250,452 - 1.95%)
7. City Garage (\$211,899 - 1.65%)
8. Clerk-Treasurer (\$183,201 - 1.43%)
9. Mayor's Office (\$155,937 - 1.21%)
10. Law Department (\$138,239 - 1.08%)
11. Communications/HR (\$133,109 - 1.04%)
12. City Hall (\$78,500 - 0.61%)
13. Common Council (\$67,004 - 0.52%)





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What are the losses under SEA 1?

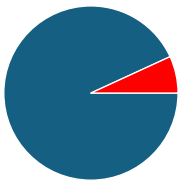
SEA 1 affects every City department, but its **greatest impact is on Police and Fire**. In 2026, about **54.32%** of the City's projected property tax and local income tax revenues are budgeted to **support public safety**.

Property tax revenues are projected to **decline by \$413,446 in 2026** and **\$1,320,055 in 2027**. Because Police and Fire rely heavily on these revenues, **those declines would most directly affect the City's ability to maintain current levels of public safety services**.

At the same time, **less funding for property tax-backed economic and capital development** would limit the City's ability to invest in infrastructure improvements and could result in essential capital projects being scaled back or delayed.

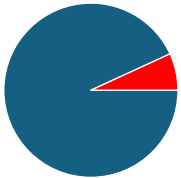
The most significant financial challenges begin in 2029, **when SEA 1 guts the current county-level income tax system**. Under the new law, local income tax revenues **drop to zero in 2029 unless the City and County adopt new local income tax levies pushed by SEA 1**.

CHART: Projected Property Tax & LIT Revenues without Adopting New LIT Levies



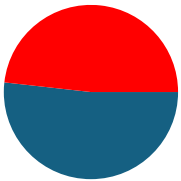
2027

Under Prior Law: \$19,249,719
Under SEA 1: \$17,929,664
Revenue Lost: ▼\$1,320,055



2028

Under Prior Law: \$20,005,222
Under SEA 1: \$18,633,424
Revenue Lost: ▼\$1,371,798



2029

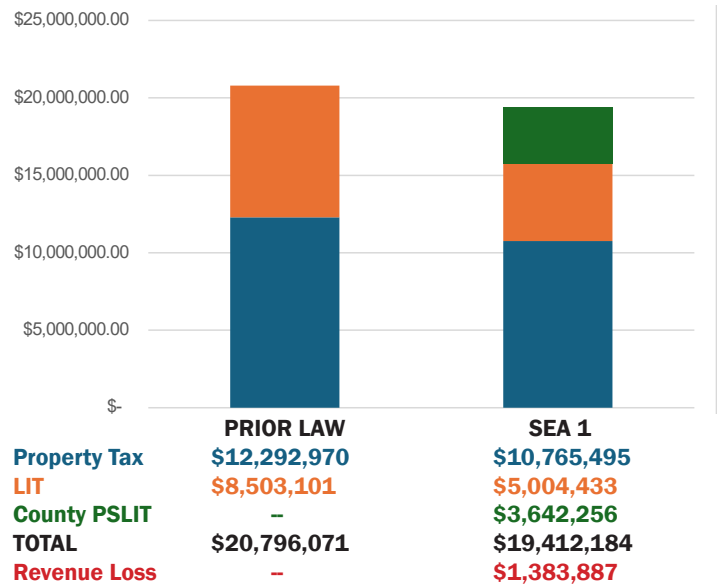
Under Prior Law: \$20,796,071
Under SEA 1: 10,765,495
Revenue Lost: ▼\$10,030,576

If a new local income tax were adopted at the **maximum 1.2 percent rate allowed under SEA 1**, it would generate an estimated **\$5,004,433 in 2029**, the first year it would take effect. Huntington County could also adopt a **0.4 percent public safety local income tax**, with a portion distributed to the City, helping offset future revenue losses. SEA 1 further allows the County to establish a **countywide 0.9 percent local income tax**, if it chooses.

If all of these rates were implemented, the **total local income tax rate City residents pay would be 2.5 percent**, compared to the current **1.95 percent**.

Including new local income taxes in our calculations improves — but does not fully bridge — revenue projections for 2029. These figures are **illustrative only** and do not reflect any commitment by the City or County to adopt new taxes. Even under these scenarios, the City of Huntington is projected to face a **minimum revenue loss of \$1,383,887 in 2029**, affecting funding for public safety and other essential services residents depend on.

CHART: Projected 2029 Revenues Including New LIT Levies



Revenue Projections & Comparisons

The City's 2027–29 budgets have not yet been finalized. The **projections shown are estimates**, based largely on each fund's size in the 2026 budget, and are intended for illustration only. Each summer, departments begin building the budget under the Mayor's direction, with review and final approval by City Council in the fall.

Changes in state policy could significantly affect City operations. **Page 3** outlines the **options available to respond**, including **adjusting staffing levels, reducing services, or identifying new revenue sources**.

Page 4 presents three possible outcomes as a new system replaces the local income tax structure in 2029. In two scenarios, **residents may see a net tax increase despite property tax relief**. In the third, **potential updates to SEA 1 at the state level could help preserve local services while still providing meaningful tax relief**.



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What Options Does the City Have Moving Forward?

State law leaves cities with limited tools when revenues decline. In Huntington’s case, there are three primary options available to address the projected shortfalls:

1. Reduce workforce
2. Reduce services
3. Increase taxes

None of these options are ideal, and each carries real consequences for the community.

Workforce

It is often assumed that cities can absorb revenue losses by trimming excess staffing. **In Huntington, that assumption does not reflect reality.**

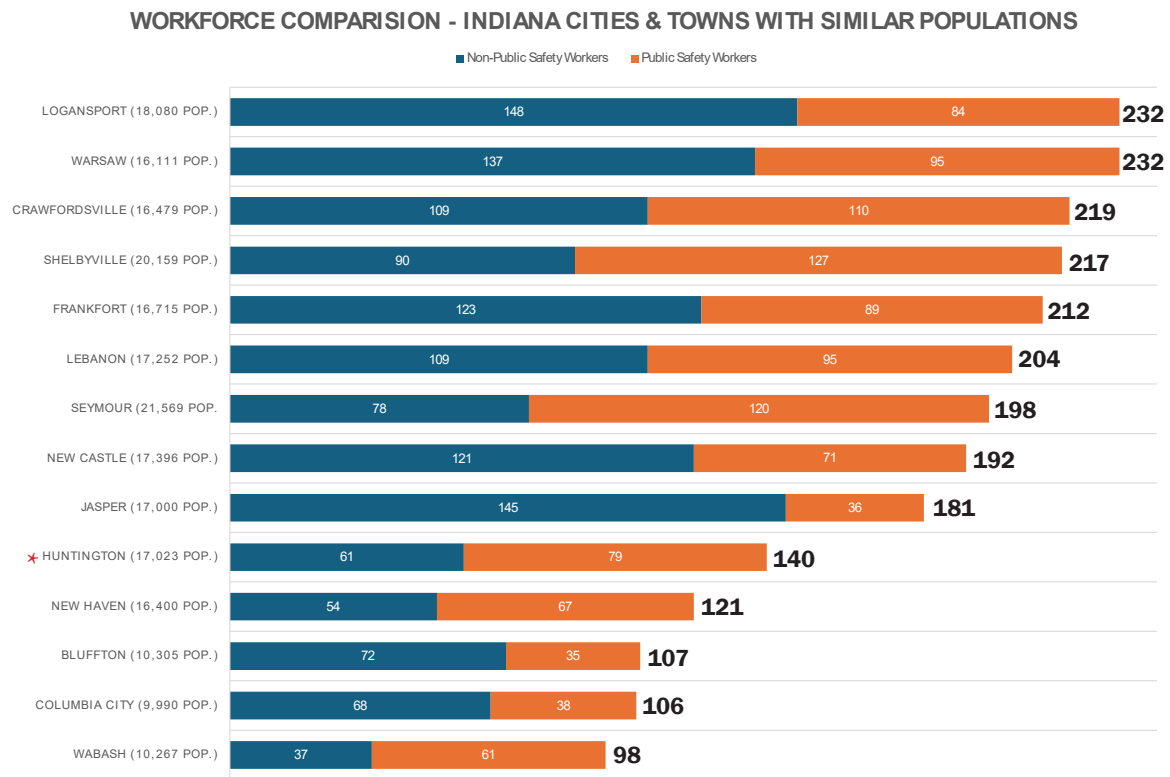
Huntington already operates with a lean and efficient workforce. As the chart on the top-right of this page shows, the city **employs significantly fewer staff per resident than many Indiana communities of comparable size.** Further reductions would not eliminate inefficiencies — they would directly reduce the city’s ability to deliver core services residents rely on every day.

Simply put, staffing reductions at this level would be felt quickly and visibly across the community.

Services

Nearly **55 percent** of 2026 property tax and local income tax revenues are **dedicated to public safety**, primarily police and fire services.

As a result, meaningful service reductions would **disproportionately impact the services residents value most and**



SOURCE: Self-reported data, 2025 Accelerate Indiana Municipalities (AIM) Salary Survey - aimindiana.org

depend on most. Cuts in this area could affect **emergency response times, staffing availability, and the city’s ability to maintain the level of public safety** Huntington residents expect.

Revenue

Another option allowed under state law is adjusting tax rates to help offset lost revenue.

Any change to taxes is something the city approaches carefully. Our **primary focus will continue to be supporting economic growth and development** — such as the upcoming opening of a Hanjung manufacturing facility — which helps expand the local tax base and distribute the cost of

services across a broader base of investment and activity.

Growth can help sustain important services and staffing levels over time. At the same time, city leaders recognize that tax decisions affect residents and businesses alike, and any potential changes must be considered thoughtfully with a full understanding of their community impact.

Sustainable Funding

The City of Huntington has a responsibility to **fund essential services in a responsible and sustainable way.**

SEA 1 narrows the tools available to balance future budgets, which makes that responsibility more challeng-

ing. As a result, city leaders will need to carefully evaluate available options and the tradeoffs they involve.

There are no simple solutions. Each path carries different impacts for residents, services, and long-term financial stability. The city’s commitment is to approach these decisions carefully and transparently. We welcome community input and will continue collaborating with our partners at the county and state levels.

This report is intended to clearly explain the challenges ahead. As discussions continue, city leaders will **remain focused on fiscal responsibility while keeping residents informed** every step of the way.



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Data on this page based on projections from Reedy Financial Services

2027 PROJECTIONS

<i>Total Revenues: Property Tax + Local Income Tax</i>	Under Prior Law: \$19,249,719	Under SEA 1: \$17,929,664	DIFFERENCE ▼\$1,320,055
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2028 PROJECTIONS

<i>Total Revenues: Property Tax + Local Income Tax</i>	Under Prior Law: \$20,005,222	Under SEA 1: \$18,633,424	DIFFERENCE ▼\$1,371,798
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2029 PROJECTIONS

BASELINE REVENUE (NO NEW TAXES)	Under Prior Law: \$20,796,071	Under SEA 1: \$10,765,495	DIFFERENCE ▼\$10,030,576
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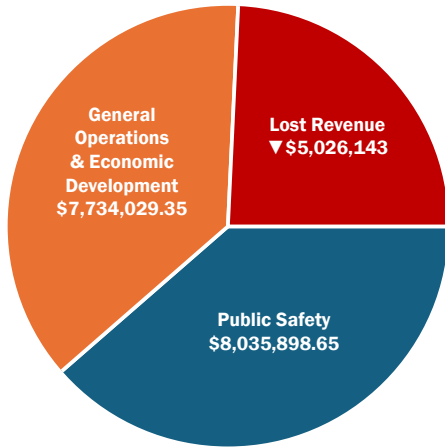
Beginning in 2029, SEA 1 pushes cities and counties to add new local income taxes to offset revenue growth lost to property tax credits. The baseline above assumes none are adopted, an unlikely worst-case scenario. Below are three more realistic possibilities, starting with the City acting alone.

Scenario #1:

City Goes It Alone

The City adopts the full 1.2% LIT allowed under SEA 1, but the County does not add a new PSLIT.

Projected Revenue: \$15,769,928



In Scenario #1, City Council approves a **new 1.2% citywide local income tax (LIT)** – the maximum allowed under SEA 1. While County Council may adopt its own **0.9% countywide LIT**, it chooses not to implement the additional **0.4% public safety LIT** allowed under the law, of which the City would have receive a partial share.

Even with the full 1.2% city tax, **combined city revenues from property taxes and local income taxes** would still fall by **nearly 25%**.

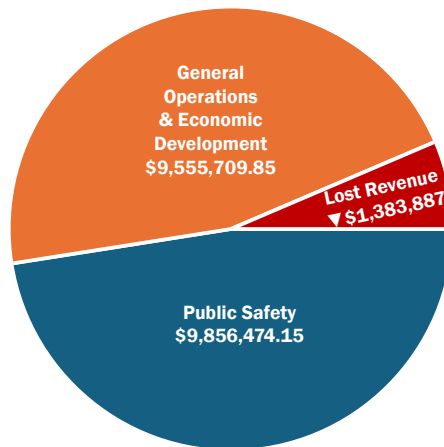
In this scenario, Huntington residents see their **combined LIT rate rise from 1.95% to 2.1%**, while the city is still forced to make **steep cuts to essential services**, including public safety.

Scenario #2:

City & County Tax Separately

City/County adopt new taxes separately. Residents' overall taxes increase despite property tax relief.

Projected Revenue: \$19,412,184



In Scenario #2, the city still adopts a **1.2% LIT**. The county also adopts the **0.9% countywide LIT** and **0.4% public safety LIT**.

The new city tax would bring in about **\$5 million** in 2029, plus a roughly **\$3.64 million share** of the county public safety tax. The city would not receive any money from the county's 0.9% income tax.

If each new tax is approved, Huntington residents' **total income tax rate climbs even higher, to 2.5%**.

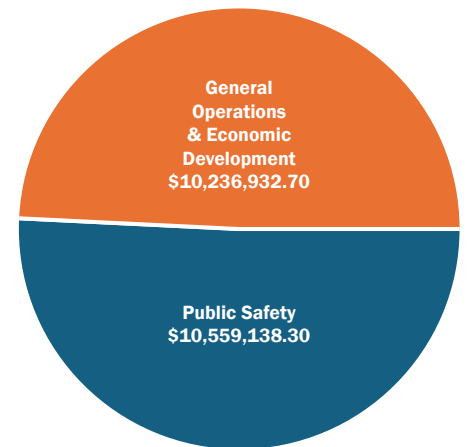
Overall, this means most residents' taxes would go up. Homeowners' average **\$192 property tax savings** would be more than offset by an estimated **\$469 increase in local income taxes**.

Scenario #3:

City & County Work Together

City/County jointly adopt a countywide income tax, similar to the system currently in place.

Projected Revenue: \$20,796,071



Indiana mayors and city administrators have urged state lawmakers to amend SEA 1. They want cities and towns to be able to keep using a **single countywide income tax system** where the county collects the tax and distributes cities' and towns' shares based largely on population.

If this is approved, the city and county could form a **Municipalities United for Sustainable Taxes (MUST) Task Force**. The task force would review options to adopt a **countywide LIT at – or possibly below – the current 1.95% rate**.

This approach would keep income tax revenue for cities and towns close to what it was under previous law, while residents would still enjoy some property tax relief.