



Motor Vehicle Tax

Questions and Answers

The questions below are typical of those received by City staff regarding the wheel tax.

1) Question: Can you please explain what the wheel tax means?

Response: The State of Indiana passed legislation (HB1001) in April that allows municipalities the ability to collect a tax on personal vehicles, called an excise tax, and a tax on commercial vehicles, called a wheel tax. Many are referring to them both as a “wheel tax”. The tax would be applied per vehicle, not per wheel. The purpose of the tax is to allow municipalities the ability to recoup funding for infrastructure that was lost when the State imposed property tax caps in 2008.

2) Question: What will the tax revenue be used for?

The State mandates that the funds collected from this tax be used to construct, reconstruct, repair, or maintain streets and roads under the city’s jurisdiction.

3) Question: Why can’t the City pave roads using existing funds?

Response: Beginning in 2008, State imposed property tax caps reduced the amount of taxes some property owners have to pay. Because property tax revenue is the primary source of funding for Indiana municipalities, the reduced collections have left essential projects unfunded. The City has approximately \$90,000 available annually for paving, enough for 1,900 feet. Currently, to pave just a few roads, funds must be transferred from non-paving accounts, which impact City services. Additionally, the amount of funds available to be transferred is unpredictable, impeding the City’s ability to plan future projects. When funds are not available to be transferred, the City must take out debt to pave roads, raising the cost of projects.

4) Question: How much would the wheel tax cost me?

Response: The tax is being proposed at \$25/year for passenger vehicles and \$40/year for commercial vehicles. In response to resident concerns, motorcycles, recreational vehicles, and trailers have been lowered to \$12.50. Recreational vehicles are defined as vehicles equipped for living quarters for persons traveling on highways. Trailers are defined as a vehicle without motive power designed to be drawn by a motor vehicle and for carrying persons or property.

5) Question: How would I pay the tax?

Response: The tax would be collected through the Bureau of Motor Vehicles each year when you register your vehicle(s). According to State law, the tax cannot be applied per household.

6) Question: What does it mean when the State intends to “match” the funds collected by the City?

Response: The wheel tax will raise an estimated \$750,000 annually for road and sidewalk projects in Portage. Additionally, the City will have the opportunity to apply for a 50 percent match from the State for three years, which has the potential to double our paving money to an estimated \$1.5 million annually.* After three years, Portage and other municipalities will lobby the State to continue to provide the matching funds. The source of funding for the State match is your income and gasoline tax. If the City does not implement the wheel tax, other communities could utilize money you’ve contributed through these taxes.

* For the distribution of matching funds, the State intends to give preference to local projects that have the greatest regional and economic significance. Because the State is still working out details for this program, this requirement is open to interpretation. Portage’s position on the lakefront, industrial connection, and convenience for residents commuting to Illinois for work are all arguments for economic and regional significance the State has accepted in previous grant applications.

7) Question: What improvements can I expect to see as a result of the tax?

Response: Old streets in disrepair will be put on a regular paving schedule and the pothole repair program will be improved. Other projects the City would like to undertake in conjunction with the road projects include enhancing neighborhood sidewalk connectivity and improving bicycle path connections.

8) Question: Will seniors receive a discount on this tax?

Response: The State does not give municipalities the authority to tax age groups differently.

9) Question: The City recently raised the cost for sewer service and trash collection. Why did you do that?

Response: Even with the increase in sewer and trash, the City still has some of the lowest rates in the entire State. This is because they had not been increased in 20 years. Rather than raise the fees to a level equivalent to most other communities of our size, the City made a relatively small increase for essential utility upgrades to ensure residents continue to enjoy efficient and uninterrupted service. Most city projects are not glamorous, but they are essential to the provision of services we often take for granted, such as sewage treatment and stormwater management.

10) Question: Why can’t the City use funds from the recently approved utility bond to pay for paving obligations.

Response: The utility bond has an option for pavement rehabilitation, which includes crack sealing and resurfacing as necessary. This type of project is under the utility bond for two reasons: First, drainage system repairs often require the City to dig under streets, which would require resurfacing. Secondly, old pavement sheds material regularly, contributing to clogged pipes and water pollution. Therefore, streets that are both in disrepair and near drainage inlets may require rehabilitation to protect the drainage system and waterways. This bond will not cover the cost of long-term paving obligations.

11) Question: Representatives from the City said that we have saved money by automating trash collection and revamping health insurance. Why can’t those savings be used to fulfill paving obligations?

Response: The City has saved approximately \$250,000 by expanding the recycling program, which reduced landfill costs. Additionally, the City saved approximately \$500,000 from changes in health care coverage for employees. In 2014, these savings were used to fund a paving bond. In the future, savings will primarily be used to fund daily operations that have been neglected, in part because of the bloated costs mentioned above; also, our aging fleet and equipment, some of which hasn’t been replaced since the early 1990’s, will benefit by tapping into the savings.

12) Question: Do you believe Portage will take on this tax?

Response: The City Council is responsible for adopting and amending City ordinances. The first reading of the ordinance took place at the April 5 meeting. The second and final reading, which also allows for a public hearing on the issue, will take place at 6:30pm Wednesday, May 4th at the Portage High School West Auditorium. The Council will vote on the wheel tax at this meeting.

13) Question: How long have you been discussing this tax?

Response: For several years, City officials from throughout Indiana have been asking State legislators for help with road and infrastructure funding - primarily because funding from the State is no longer sufficient. The wheel tax is the first opportunity they've given us to collect a tax specifically for road projects. The City has been discussing the opportunity since it was allowed by the State in early April, 2016.

14) Question: Why can't we hold off on implementing this tax for a while?

Response: The City Council needs to enact the wheel tax by July of this year to begin receiving funding in 2017. If we wait until next year, for example, funding will not start until 2018, and we lose the opportunity to apply for the 50 percent matching funds provided by the State in 2017.

15) Question: I see residents with Illinois license plates who could avoid the tax. Will they be forced to register in Indiana?

Response: Per State law, a person must register all vehicles they own no later than sixty (60) days after becoming an Indiana resident. An Indiana resident who fails to register a motor vehicle with the State of Indiana commits a Class C infraction. The owner of a motor vehicle who knowingly registers the vehicle without paying the proposed surtax commits a Class B misdemeanor. It is legal for individuals who reside in Indiana to have Illinois plates if they drive a company owned take-home vehicle for their employment at an Illinois based company.