

**COUNTY AUDITORS' SPRING
2011
CONFERENCE**

**Alternative Payment Schedules and
Installment Plans**

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1

**Alternative Payment Schedules
and Installment Plans**

- **IC 6-1.1-22-9.5 alternative payment schedule for homestead properties only**
- **IC 6-1.1-22.5-18.5 installment payments for provisional tax bill reconciling statement only**
- **IC 6-1.1-22-9.7 automatic deductions from accounts with a financial institution and/or a monthly installment plan for all property tax bills**

2

**IC 6-1.1-22-9.5 Alternative
Payment Schedule for
Homestead Properties Only**

- **A county may at any time before tax statements are mailed petition the DLGF to establish an alternative payment schedule for real estate and mobile home homestead properties**
 - **The petition must be approved by the council fiscal body**
- **DLGF must notify the county its determination on the petition not later than 20 days after receiving the petition**

3

**IC 6-1.1-22-9.5 Alternative
Payment Schedule for
Homestead Properties Only**

- DLGF may not establish a due date that is
 - Earlier than May 10 of the year the tax statements are mailed
 - A first installment due date later than November 10 of the year the tax statements are mailed
 - A last installment due date later than May 10 of the year following the year the tax statements are mailed

4

**IC 6-1.1-22.5-18.5
Installment Payments for
Provisional Tax Bill Reconciling
Statement Only**

- A county council may adopt an ordinance to allow a taxpayer to pay in installments a provisional tax bill reconciling statement
- The ordinance must
 - Specify the reconciling statement
 - And the installment due dates
 - And allow taxpayers the option of paying in installments on the installment due dates or paying a single payment on the reconciling statement due date
- Ordinance does not require DLGF approval

5

**IC 6-1.1-22.5-18.5 Installment
Payments for Provisional Tax Bill
Reconciling Statement Only
Late Payment Penalties**

- Installment not paid by due date is considered delinquent
- Penalty is 5% if
 - Paid in full within thirty days after due date and
 - If Real property - Taxpayer not liable for delinquent property taxes in a previous year for the same parcel
 - If Personal property - Taxpayer not liable for delinquent property taxes in a previous year for a personal property tax return in the same taxing district
- Penalty is 10% if the above does not apply

6

**IC 6-1.1-22.5-18.5 Installment
Payments for Provisional Tax Bill
Reconciling Statement Only
Late Payment Penalties**

- On the day following the final installment due date an additional 10% penalty is applied against any unpaid installments

7

**IC 6-1.1-22-9.7 Automatic
Deductions from Accounts with
a Financial Institution and/or a
Monthly Installment Plan for all
Property Tax Bills**

- County fiscal body may at any time adopt an ordinance to allow all county taxpayers to pay one or more semi-annual property tax installments by
 - Monthly installments and/or
 - Automatic deduction from an account with a financial institution

8

**Ordinance Adopted Under
IC 6-1.1-22-9.7**

- May apply to more than one calendar year
- Must include at least
 - Identification of applicable semi-annual tax installments
 - Provisions for notice to taxpayer of option to pay by installments
 - If applicable, authority to allow treasurer to make available to taxpayer a form directing treasurer to deduct monthly installments from taxpayer's account with a financial institution
 - If applicable, authority for treasurer to accept monthly installment payments from taxpayers ⁹

Ordinance Adopted Under IC 6-1.1-22-9.7

- **May include**
 - A provision authorizing taxpayers to make monthly deductions or monthly payments in an amount determined by the taxpayer that is different than the amount determined by the treasurer

10

Automatic Deductions Under IC 6-1.1-22-9.7

- **If automatic deductions from a taxpayer's account with a financial institution is authorized, then**
 - The treasurer must provide a statement to the taxpayer that includes
 - The deduction amount
 - The day of the month chosen by taxpayer that deduction will be made
 - The deduction calculation
 - An explanation of current year reconciliation
 - An explanation of the penalties that apply if the taxpayer's account has insufficient funds¹¹

Monthly Installment Calculation

- **Step One - Determine the tax liability for the year to be used to calculate the monthly installment amount**
- **Step Two - Divide the number of semi-annual installments identified in the ordinance by the total number of semi-annual installments for the current year**
- **Step Three - Multiply Step One by the result of Step Two**
- **Step Four - Divide the result of Step Three by the number of monthly installments**

12

Step One Tax Liability

- If at the time the monthly installment is calculated the current year tax liability can not be determined, then
 - The Step One Tax Liability is the preceding year's tax liability
 - Or if the treasurer determines to use provisional tax statements, the Step One Tax Liability is the tax liability indicated on the provisional tax statement
- If at the time the monthly installment is calculated the current year tax liability has been determined, then the Step One Tax Liability is the current year tax liability

13

Monthly Installment Calculation Step Two

- Step Two - Divide the number of semi-annual installments identified in the ordinance by the total number of semi-annual installments for the current year (the total number of installments for the current year is always 2)
 - If the ordinance identifies the spring installment as the installment authorized for monthly installments, then the calculation is 1 divided by 2, or .50
 - If the ordinance identifies the spring and fall installments as the installments authorized for monthly installments, then the calculation is 2 divided by 2, or 1

14

Monthly Installment Calculation Step Three

- Step Three - Multiply Step One by the result of Step Two is fairly self explanatory. Whatever tax liability is determined in Step One is multiplied by the number determined in Step Two and the number determined in Step Two is going to be .5 or 1
- If only one semi-annual installment is authorized for monthly installments, then one-half of the full year tax liability is used to calculate the monthly installment amount
- If both semi-annual installments are authorized for monthly installments, then the full year tax liability is used to calculate the monthly installment amount

15

Monthly Installment Calculation Step Four

- Step Four - Divide the result of Step Three by the number of monthly installments
- In my opinion the maximum number of manageable monthly installments for a year is 8 if the full year tax is paid by monthly installments within the current year and the reconciling statement due date is November 10 of the current year
- The actual number of monthly installments will be determined by the month when the installments begin, whether one or two installments are authorized for monthly installments and the due date of the reconciling statement

16

Monthly Installment Calculation

- If the county treasurer determines changes in circumstances have caused the calculated monthly installment amount to be substantially different than the likely current tax liability, then the treasurer can determine a different amount
- If permitted by the ordinance authorizing monthly installments, a taxpayer can pay a monthly amount different than the amount determined by the treasurer

17

Final Due Date for Each Series of Monthly Installments

- It is not clearly stated in IC 6-1.1-22-9.7, but can be implied that the final due date for each series of monthly installments is on or before the due date of the semi-annual installment
- This due date requirement can be implied because IC 6-1.1-22-9.7(f)(2)(A) requires the ordinance to identify the property tax installment or installments for which payment by monthly deduction and/or monthly installment is authorized
- The May or November due date is further reinforced by the reference of May or November due date in IC 6-1.1-22-9.7(q)(2)(B)

18

Final Due Date for Each Series of Monthly Installments

- Another way to define the final due date of a series of monthly installments is:
 - If a series of monthly installments are applicable to the spring semi-annual installment and May 10 is the due date of the spring semi-annual installment, then the due date of the last monthly installment of the series of monthly installments must be on or before May 10
- The above required final due date of the series of monthly installments can be in opposition to allowing the taxpayer to chose the day of the month of the automatic deduction, unless in the ordinance you designate the months for each series of monthly installments
- In my opinion to have a workable plan you must have careful management of the allowed monthly deductions and/or monthly installments and the best place to start is with the ordinance authorizing the plan

19

Reconciling Statement

- The county treasurer shall issue a reconciling statement that contains at least the
 - Current year actual tax liability
 - Plus penalties, if any, that apply for the current year
 - Minus total amount paid for the current year
 - Reconciling amount due, or excess payment amount
- It is best if the reconciling statement has a November 10 due date

20

Reconciling Statement

- If the tax liability plus penalties exceed the amount paid for the current year, then
 - The reconciling amount due is payable by the taxpayer not later than 30 days after the date of the reconciling statement
- If the amount paid for the year exceeds the tax liability plus penalties, then
 - The treasurer will apply the excess to the taxpayer's tax liability for the immediately succeeding year unless claimed for refund by the taxpayer under IC 6-1.1-26

21

Discharge of Taxpayer's Liability

- Monthly installment and/or reconciling statement payment made by automatic deduction from the taxpayer's account with a financial institution is not finally discharged until the taxpayer's account is charged

22

Collections

- Monthly installment and reconciling statement tax and penalty collections are accounted for and certified by the treasurer in the same manner as other property tax collections
- Collections received by the spring installment due date are certified on the Form 49TC for the June Settlement
- Collections received by the fall installment due date are certified on the Form 49TC for the December Settlement
- Monthly installment and reconciling statement tax and penalty collections are available for property tax advances

23

Late Payment Penalties

- If a taxpayer makes monthly installment payments or automatic deductions in the amount determined by the treasurer, then the taxpayer is not liable for late payment penalties under IC 6-1.1-37-10
- If a taxpayer makes monthly installment payments or automatic deductions in an amount less than the amount determined by the treasurer, then the taxpayer is liable for late payment penalties under IC 6-1.1-37-10 if the total amount paid by the taxpayer by the spring or fall due date is less than the amount determined by the treasurer to be due by the spring or fall due date
- IC 6-1.1-37-10 penalty provisions apply to the reconciling statement

24

IC 6-1.1-37-10 Penalties

- **Real property**

- The penalty is 5% of the amount of delinquent taxes if
 - The taxes are paid in full on or before thirty days after the due date
 - And the taxpayer is not liable for delinquent taxes in a previous installment for the same parcel
- If neither is true, then the penalty is 10%

- **Personal property**

- The penalty is 5% of the amount of delinquent taxes if
 - The taxes are paid in full on or before thirty days after the due date
 - And the taxpayer is not liable for delinquent taxes in a previous installment for a personal property tax return in the same taxing district
- If neither is true, then the penalty is 10%

25
