

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7425**

**BILL NUMBER: HB 1491**

**DATE PREPARED:** Dec 30, 1998

**BILL AMENDED:**

**SUBJECT:** Annexation procedures.

**FISCAL ANALYST:** Beverly Holloway

**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:**     **GENERAL**  
                          **DEDICATED**  
                          **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill has the following provisions:

(A) The bill allows an annexation to be appealed by filing a written remonstrance signed by the owners of more than 50% in assessed valuation of the land in the annexed territory. (Current law provides that a written remonstrance must be filed by a majority of owners of land in the annexed territory or the owners of more than 75% in assessed valuation of the land in the annexed territory.)

(B) It allows a remonstrance to be filed not more than 90 days after publication of the annexation ordinance. (Current law provides that a remonstrance may be filed not more than 60 days after the annexation ordinance is published.) If a court finds that a remonstrance is sufficient, the court shall order an annexation not to take place.

(C) An owner of real property in the annexed territory or the municipality that is annexing the territory is permitted to file an action not more than 120 days after publication of the annexation ordinance, requesting a court to enter a judgment voiding the annexation ordinance on the grounds that the ordinance does not comply with legal requirements.

(D) The bill allows a municipality to abate a portion of the property tax liability for municipal purposes for all single family residential property for five years. (Current law allows only St. Joseph County to provide this abatement.)

(E) It also prohibits a municipality from making further attempts to annex territory for three years after the later of the circuit or superior court judgment or the date of the final disposition of all appeals, unless the landowners in the annexed territory petition for annexation. (Current law provides that a municipality may not make further attempts to annex territory for two years after the judgment or final disposition of all appeals unless the landowners in the territory petition for annexation.)

(F) A municipality is required to provide noncapital services in a manner equivalent in standard and scope to those noncapital services provided to areas within the corporate boundaries regardless of similar topography, patterns of land use, or population density. (Current law requires, in counties other than St. Joseph County, that services be provided to the unincorporated area substantially equivalent in standard and scope to the services provided by the municipality to other areas of the municipality that have topography, patterns of land use, and population density similar to the annexed territory).

(G) A municipality is required to provide capital services to the annexed territory within four years after the effective date of the annexation, in the same manner as those services are provided to areas within the corporate boundaries, regardless of similar topography, patterns of land use, or population density. (Current law requires a municipality to provide capital services to the annexed territory within three years after the effective date of the annexation, in the same manner as those services are provided to areas within the corporate boundaries regardless of similar topography, patterns of land use, or population density.)

(H) This bill repeals a provision that allows landowners to petition a municipality to annex territory and requires the municipality to annex the territory if certain requirements are met.

(I) It provides that if a court, pursuant to a complaint filed by a landowner, finds that the municipality failed to provide the capital and noncapital services under the fiscal plan, the court is required to order all or part of the territory to be disannexed.

(J) The act applies to an annexation ordinance adopted after January 1, 1999.

(K) This bill provides that an annexation that fulfills all of the following requirements is void:(1) The annexation ordinance was adopted before January 1, 1999. (2) The annexation is effective after January 1, 1999. (3) The annexation ordinance delays the effective date of the annexation for at least one (1) year. (4) A sufficient remonstrance petition was filed against the annexation.

(L) It makes a technical correction.

**Effective Date:** January 1, 1999 (retroactive).

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (A), (B) and (C) If an annexation is not successful because of these provisions, the municipality annexing the territory would not be required to extend municipal services to the proposed territory.

(E) Currently, if a municipality attempts unsuccessfully to annex territory, the municipality may not make further attempts to annex the territory for two years. This bill would change from two years to three years the time in which a municipality may attempt to annex territory that the municipality had previously been unsuccessful in annexing. When territory is annexed, services need to be extended to that territory. The extension of services to this new territory would create additional expenditures for the municipality. The cost of extending services to the annexed territory would occur if the annexation is successful after the three year waiting period.

(F) and (G) A municipality is required to provide capital services to the annexed territory within four years after the effective date of the annexation, in the same manner as those services are provided to areas within the corporate boundaries, regardless of similar topography, patterns of land use, or population density. (Current law requires a municipality to provide capital services to the annexed territory within three years after the effective date of the annexation, in the same manner as those services are provided to areas within the corporate boundaries regardless of similar topography, patterns of land use, or population density.)

(H) and (I) If an annexation is not successful because of these provisions, the municipality annexing the territory would not be required to extend municipal services to the proposed territory.

(K) This bill establishes provisions that could void annexations. If an annexation is voided because of these provisions, the property owners would not have to pay the increased property taxes nor would they receive municipal services. It is unknown how many annexations meet the provisions.

**Explanation of Local Revenues:** (A) and (B) Under current law, when a municipality annexes territory, the annexation may be appealed by a majority of the landowners or the owners of more than 75% in assessed valuation of the land in the annexed territory. This appeal, or remonstrance, must be filed with the Circuit or Superior Court within 60 days after publication of the annexation ordinance.

When territory is annexed, the municipality's assessed value is increased along with its maximum levy. Taxpayers in the annexed territory must start paying property taxes to the municipality in addition to the taxes already paid. The annexed territory then gets the benefit of municipal services. This bill allows an annexation to be appealed by filing a written remonstrance signed by the owners of more than 50% in assessed valuation of the land in the annexed territory. It also gives the remonstrators up to 120 days instead of 60 days to file the remonstrance. The additional 60 days could give remonstrators more time to organize the number of landowners necessary to successfully appeal the annexation. If the appeal is successful the property owners would not have to pay the increased property taxes nor would they receive municipal services. The fiscal impact of this provision is dependent on the outcome of a remonstrance.

(C) This bill allows an owner of real property in the annexed territory or the municipality that is annexing the territory to file an action not more than 120 days after publication of the annexation ordinance, requesting a court to enter a judgment voiding the annexation ordinance on the grounds that the ordinance does not comply with legal requirements. As with a successful remonstrance, this provision could prevent an annexation from occurring. The property owners would not have to pay the increased property taxes nor would they receive municipal services.

(D) This bill allows a municipality to abate a portion of the property tax liability for municipal purposes for all single family residential property for five years. This bill changes the tax reduction for single family residential property to 90% the first year, 80% the second year, 60% in the third year, 40% in the fourth year, and 20% the fifth year if a municipality abates newly annexed property by ordinance. The property would then be fully taxable in the sixth year.

The increased municipal property tax abatement for newly annexed single family residential property would slow the phase-in of revenue paid by these taxpayers in municipalities offering

(E) The annexation of property broadens the property tax base which tax rates are based on. The existing taxpayers in the municipality usually would experience a rate reduction and the annexed taxpayers usually experience a rate hike. If the municipality is successful in annexing territory after the three year waiting

period, the tax shifts would occur.

**State Agencies Affected:**

**Local Agencies Affected:** Annexing municipalities; Clerk of the municipality annexing territory; County Auditor and Circuit Court Clerk of each county in which the annexed territory is located.

**Information Sources:**