LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7160 **DATE PREPARED:** Jan 9, 2000
BILL NUMBER: HB 1351 **BILL AMENDED:**

SUBJECT: Reporting of tax exempt property.

FISCAL ANALYST: Bob Sigalow
PHONE NUMBER: 232-9859

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the State Board of Tax Commissioners ("State Board") to report the assessed value of all exempt property before December 1, 2003.

This bill also requires the State Board to determine the qualified assessed value (AV) of real property in Center Township of Marion County that is owned and occupied by the federal government, the state government, or a political subdivision. The bill requires the State Board to report before December 31, 2003, the: (1) qualified assessed value of government-owned property in Center Township; and (2) tax rates that would have been in effect if that property had been taxable.

This bill provides that exemption applications must be filed with the county assessor. It requires the State Board to adopt certain rules. The bill requires a nonprofit organization applying for a property tax exemption to attest that the property is not being used for an unrelated business. It also requires an exempt organization to notify the assessor if the use of the property has changed and the property is taxable. The bill requires the county property tax assessment board of appeals to review each exemption two years after it is granted to determine whether the property still qualifies for the exemption.

Effective Date: Upon passage; July 1, 2000.

Explanation of State Expenditures: *Statewide Exempt Property Report*: The State Tax Board would be required to publish a report containing the assessed value of all exempt real and personal property in each taxing district in the state. Since some clearly exempt property never is assessed, the State Tax Board or another assessing official may have to assess the property in order for the State Tax Board to produce this report. The assessment of this property, if necessary, could carry a substantial, unknown cost.

Center Township: Under this provision, the State Tax Board, with support from the Marion County Assessor, would be required to determine the "qualified assessed value" of federal, state, and local government-owned property in Center Township, Marion County. The Tax Board would publish a report before December 31, 2003 that includes the qualified AV of government-owned property in the township and an estimate of the net tax rate if the government property had been assessed. According to the bill, qualified assessed value does not mean fair market value or true tax value and would be determined under special State Tax Board rules. As a result of these conditions, the Tax Board might not have to physically assess each government-owned parcel, but might be able to determine an estimated assessment based on available data. If, under the special rules, the Tax Board does not have to physically assess each parcel, then there would not be any real fiscal impact to this provision.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Tax Exemptions*: Under current law, taxpayers who own property that is exempt from property tax must file an exemption application with the county auditor. Under this proposal, taxpayers would file exemption applications and all related documents with the county assessor who would then notify the county auditor of the filing. Under this provision, the county assessor would be better informed as to the exempt status of property. The county assessor, as opposed to the county auditor, would collect the $2 filing fee. The fee would continue to be deposited into the county General Fund.

This bill would require a person filing for an exemption to attest that a predominant part of the property is not being used for a business that is unrelated to the organization's exempt purpose. The bill also requires a not-for-profit corporation to notify the county assessor if the entity changes the use of exempt property and no longer qualifies for an exemption. Failure to make this notification before May 15 of the first ineligible year would result in a penalty of 10% of the tax due per year.

The bill would also require the county property tax assessment board of appeals to perform a review of each exemption midway through the four year filing cycle. If the board of appeals determines that the property no longer qualifies for the exemption, the board would revoke the exemption and inform the county auditor.

The exemption provisions of this bill could reduce the number and value of property tax exemptions. A drop in exemptions would increase the assessed value tax base and serve to reduce property tax rates.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: County auditors; County assessors; County property tax assessment boards of appeals.

Information Sources: