LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7160 **DATE PREPARED:** Jan 28, 2000
BILL NUMBER: HB 1351 **BILL AMENDED:** Jan 26, 2000

SUBJECT: Reporting of tax exempt property.

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

IMPACT: State & Local

Summary of Legislation: (Amended) ***Exempt Property*:** 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 of real property in Center Township of Marion County that is owned, used or occupied by the federal government, the state government, or a political subdivision. It provides that the qualified assessed value of real property owned, used, and occupied by the United States, the state of Indiana, or a political subdivision of the state of Indiana must approximate the true tax value of the real property. 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 an exempt organization to notify the assessor if the use of the property has changed and the property is taxable.

***Used Property*:** The bill requires the state board of tax commissioners to adopt rules concerning the depreciation of used property after a sale and the criteria for the rehabilitation deduction.

***Property Tax Assessment Board of Appeals*:** This bill makes various changes to assessing provisions concerning the members of the property tax assessment board of appeals, the records of the board, the time for reviewing appeals in Lake and Marion Counties.

***Sales Disclosure*:** It extends the sunset on the confidentiality of sales disclosure forms to December 31, 2002.

***Assessor Certification*:** This bill provides that beginning January 1, 2001, in each county the assessor or an employee of the county assessor must be a certified level 2 assessor-appraiser. It provides that a county assessor who becomes a certified level 2 assessor-appraiser is entitled to a salary increase of $1,000 after the assessor's certification. The bill provides that a person who is a certified level 2 assessor-appraiser who replaces a county assessor who is not so certified is entitled to a salary of $1,000 more than the salary of the person's predecessor. This bill also provides that an employee of a county assessor or township assessor who becomes a certified level 2 assessor-appraiser is entitled to a salary increase of $500 after the employee's certification. This bill provides that the county council and county commissioners are not required to appoint a certified level two assessor to the county property tax board of appeals if the county assessor is a certified level two assessor.

***Rehabilitation Deduction*:** This bill also amends the definition of "property" for the rehabilitation deduction.

Effective Date: July 1, 1999 (Retroactive); December 30, 1999 (Retroactive); January 1, 2000 (Retroactive); July 1, 2000; January 1, 2001; March 1, 2001; January 1, 2003.

Explanation of State Expenditures: (Revised) ***Exempt Property*:** 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, but would approximate 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.

***Market Value Study*:** Under current law, the State Tax Board was required to conduct a study to determine the impact of converting to a market value system of assessment and report its findings to the General Assembly in December of 1996. This section of law expired on December 31, 1999 but would be extended until December 31, 2002 under this bill.

Explanation of State Revenues: (Revised) ***Exempt Property*:** The State levies a one cent tax rate for State fair and State forestry. Any increase in the assessed value base due to the exemption provisions discussed will increase the property tax revenue for these two funds.

Explanation of Local Expenditures: (Revised) ***Assessor Certification*:** The bill requires each county assessor or an employee of the county assessor to be a certified level two assessor-appraiser. This bill requires that county assessors who achieve a level two assessor-appraiser certification are to be paid an additional $1,000 per year. This provision would increase expenses for county assessor salaries by up to $92,000 per year, statewide.

Employees of the county assessor and the township assessor who achieve a level two assessor-appraiser certification are to be paid an additional $500 per year. This provision would increase salary expenses for county assessor employees and township assessor employees. The amount of the total increase depends on the total number of employees who become certified.

The salary provisions would first take effect in July, 2000. These new compensation levels for county assessors and their employees and for township assessor employees could increase county General Fund expenditures. The above salary expenditure increases may come from an increased property tax levy or from money saved by reducing other expenditures. If the county already levies its maximum levy, then it could not increase taxes and instead would have to use current resources to fund the salary increases.

Explanation of Local Revenues: (Revised) ***Exempt Property*****:** 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.

The bill would also allow the county property tax assessment board of appeals to perform a review of an exemption at any time to determine if the non-for-profit corporation is eligible for the exemption. If the board of appeals determines that the non-for-profit corporation no longer qualifies for the exemption, the board would inform the county auditor. This provision 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.

Rehabilitated Property: Under current law, a taxpayer may receive up to a $3,000 AV property tax deduction against the assessed value that the rehabilitation of residential property has added. The deduction changes to $9,000 AV in CY 2001 when all assessed values increase threefold. This proposal specifies that beginning in CY 2001, the rehabilitation must be significant, according to State Tax Board rules, and must be made to an existing structure.

The requirement that the rehabilitation must be significant, according to State Tax Board rules would also apply to the rehabilitation deduction available for all property where the owner has paid more than $10,000 for the rehabilitation. This deduction is currently available for buildings that are at least 10 years old. The bill would change the age requirement so that the building would have to be at least 50 years old.

These provisions could reduce the level of deductions granted if some deductions are currently granted for projects that would not meet the “significant rehabilitation” rules to be drafted by the Tax Board or if some deductions are currently granted for projects where the building is less than 50 years old.

Property Tax Assessment Board of Appeals**:** This bill makes several changes to the composition of the property tax assessment board of appeals (appeals board). Currently, the county commissioners and the county fiscal body must each appoint at least one certified level two assessor-appraiser to the appeals board. Under this proposal, the county commissioners' appointments and the county fiscal bodies' appointments would not have be level two assessor-appraisers if the county assessor is a certified level two assessor-appraiser.

This proposal also allows an appointed member of the property tax assessment board of appeals to serve on the boards of more than one county. The bill further prohibits an employee or officer of a county or township, except for the county assessor, from serving on the county property tax assessment board of appeals in the county in which they are an officer or employee.

Some smaller Indiana counties may currently be having difficulty in filling vacancies on the appeals board with qualified persons under current law. The above changes may allow these counties to make all of the necessary appointments to the appeals board.

Sales Disclosure Forms**:** A sales disclosure form must be filed with the County Auditor any time real property is sold or transferred for valuable consideration, except a transfer to charity. Until December 31, 1999 the forms were confidential and could only be used by the county land valuation commission in determining land values and by the State Board of Tax Commissioners. This provision would retain the forms' confidentiality through December 31, 2002 and make them available only to township assessors and the State Board of Tax Commissioners. This provision has no real fiscal impact.

State Agencies Affected: State Board of Tax Commissioners.

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

Information Sources: