
HOUSE BILL No. 1286

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-1.5-4-3.

Synopsis: Property tax assessment issues. Requires that sales ratio studies must identify the sales adjustment factor used for each sale used in the study. Provides that a retroactive reassessment of undervalued property may be conducted only to correct for physical changes in the property. Requires the department of local government finance to adopt rules to govern gathering and processing information for the application of the income capitalization method and the gross rent multiplier method. Indicates that a rule of the department of local government finance that conflicts with a statute is void. Specifies that any failure to comply with the procedures of a specific assessing method, this article or any rule of the department of local government finance that is not in conflict with this article shall be treated as an incorrect valuation. Specifies that failure of an assessing official to comply with statutory appeal procedures, including the requirement that assessing officials bear the burden of proof of proving the validity of an assessment change results in invalidation of the assessment change.

Effective: Upon passage.

Smith M

January 12, 2011, read first time and referred to Committee on Ways and Means.

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First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

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HOUSE BILL No. 1286



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-4-4.5, AS AMENDED BY P.L.112-2010,
- 2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 3 UPON PASSAGE]: Sec. 4.5. (a) The department of local government
- 4 finance shall adopt rules establishing a system for annually adjusting
- 5 the assessed value of real property to account for changes in value in
- 6 those years since a general reassessment of property last took effect.
- 7 (b) Subject to subsection (e), the system must be applied to adjust
- 8 assessed values beginning with the 2006 assessment date and each year
- 9 thereafter that is not a year in which a reassessment becomes effective.
- 10 (c) The rules adopted under subsection (a) must include the
- 11 following characteristics in the system:
- 12 (1) Promote uniform and equal assessment of real property within
- 13 and across classifications.
- 14 (2) Require that assessing officials:
- 15 (A) reevaluate the factors that affect value;
- 16 (B) express the interactions of those factors mathematically;
- 17 (C) use mass appraisal techniques to estimate updated property



1 values within statistical measures of accuracy; and
2 (D) provide notice to taxpayers of an assessment increase that
3 results from the application of annual ~~adjustments~~
4 **adjustment factors.**

5 (3) Prescribe procedures that permit the application of the
6 adjustment percentages in an efficient manner by assessing
7 officials.

8 (d) The department of local government finance must review and
9 certify each annual adjustment determined under this section.
10 **Beginning with sales ratio studies prepared for an annual**
11 **adjustment after December 31, 2011, the department of local**
12 **government finance shall review and certify each annual**
13 **adjustment submitted as part of the county's sales ratio study**
14 **determined under this section. Counties shall state the annual**
15 **adjustment factor used to adjust the assessed value for each sold**
16 **property identified on a sales ratio study used in the county before**
17 **the department of local government finance certification.**

18 (e) In making the annual determination of the base rate to satisfy the
19 requirement for an annual adjustment under subsection (c) for current
20 property taxes first due and payable in 2011 and thereafter, the
21 department of local government finance shall determine the base rate
22 using the methodology reflected in Table 2-18 of Book 1, Chapter 2 of
23 the department of local government finance's Real Property Assessment
24 Guidelines (as in effect on January 1, 2005), except that the department
25 shall adjust the methodology to:

- 26 (1) use a six (6) year rolling average adjusted under subdivision
- 27 (2) instead of a four (4) year rolling average; and
- 28 (2) eliminate in the calculation of the rolling average the year
- 29 among the six (6) years for which the highest market value in use
- 30 of agricultural land is determined.

31 (f) For assessment dates after December 31, 2009, an adjustment in
32 the assessed value of real property under this section shall be based on
33 the estimated true tax value of the property on the assessment date that
34 is the basis for taxes payable on that real property.

35 SECTION 2. IC 6-1.1-9-1, AS AMENDED BY P.L.146-2008,
36 SECTION 102, IS AMENDED TO READ AS FOLLOWS
37 [EFFECTIVE UPON PASSAGE]: Sec. 1. If a township assessor (if
38 any), county assessor, or county property tax assessment board of
39 appeals believes that any taxable tangible property has been:

- 40 (1) omitted from; or
- 41 (2) undervalued **as a result of physical change in the property;**
42 on the assessment rolls or the tax duplicate for any year or years, the

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1 official or board shall give written notice under IC 6-1.1-3-20 or
2 IC 6-1.1-4-22 of the assessment or increase in assessment. The notice
3 shall contain a general description of the property and a statement
4 describing the taxpayer's right to a review with the county property tax
5 assessment board of appeals under IC 6-1.1-15-1.

6 SECTION 3. IC 6-1.1-9-3 IS AMENDED TO READ AS
7 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) If a taxpayer
8 files a personal property return for a particular year, personal property
9 which is omitted from ~~or undervalued on~~ the return may be assessed ~~or~~
10 ~~its assessed value may be increased~~; only if the notice required under
11 section 1 of this chapter is given within three (3) years after the date the
12 return is filed. However, if the taxpayer's personal property return for
13 a particular year substantially complies with the provisions of this
14 article and the regulations of the department of local government
15 finance, an assessing official or a county property tax assessment board
16 of appeals may change the assessed value claimed by the taxpayer on
17 the return only within the time period prescribed in IC 6-1.1-16-1.

18 **(b) If a taxpayer files a personal property return for a**
19 **particular year, the assessed value of personal property that is**
20 **undervalued on the return may be increased only if:**

- 21 **(1) the notice required under section 1 of this chapter is given**
- 22 **within three (3) years after the date the return is filed; and**
- 23 **(2) for actions taken for an assessment date after January 15,**
- 24 **2011, the undervaluation results from a physical change in the**
- 25 **property.**

26 **However, if the taxpayer's personal property return for a**
27 **particular year substantially complies with this article and the**
28 **rules of the department of local government finance, an assessing**
29 **official or a county property tax assessment board of appeals may**
30 **change the assessed value claimed by the taxpayer on the return**
31 **only within the time prescribed in IC 6-1.1-16-1.**

32 ~~(b)~~ **(c)** If a taxpayer fails to file a personal property return for a
33 particular year, the taxpayer's personal property may be assessed for
34 that year only if the notice required by section 1 of this chapter is given
35 within ten (10) years after the date on which the return for that year
36 should have been filed.

37 ~~(c)~~ **(d)** If a taxpayer files a fraudulent personal property return, or
38 fails to file a return with the intent to evade the payment of property
39 taxes, the assessment limitations prescribed in subsections (a) and (b)
40 do not apply.

41 SECTION 4. IC 6-1.1-9-4 IS AMENDED TO READ AS
42 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) **Omitted** real

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1 property may be assessed ~~or its assessed value increased~~, for a prior
 2 year under this chapter only if the notice required by section 1 of this
 3 chapter is given within three (3) years after the assessment date for that
 4 prior year.

5 **(b) This subsection applies to actions taken for an assessment**
 6 **date after January 15, 2011. The assessed value of undervalued**
 7 **real property may be increased for a prior year under this chapter**
 8 **only if:**

- 9 **(1) the notice required under section 1 of this chapter is given**
 10 **within three (3) years after the date the return is filed; and**
 11 **(2) for actions taken for an assessment date after January 15,**
 12 **2011, the undervaluation results from a physical change in the**
 13 **property.**

14 ~~(b)~~ **(c)** With respect to real property which is owned by a bona fide
 15 purchaser without knowledge, no lien attaches for any property taxes
 16 which result from an assessment, or an increase in assessed value,
 17 made under this chapter for any period before his purchase of the
 18 property.

19 SECTION 5. IC 6-1.1-31-5, AS AMENDED BY P.L.146-2008,
 20 SECTION 271, IS AMENDED TO READ AS FOLLOWS
 21 [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Subject to this article, the
 22 rules adopted by the department of local government finance are the
 23 basis for determining the true tax value of tangible property. **A rule,**
 24 **appraisal manual, bulletins, or directive adopted by the**
 25 **department of local government finance, including 50**
 26 **IAC 2.3-1-1(d) (as effective before its repeal) and any rule,**
 27 **appraisal manual, bulletins, or directive requiring that property be**
 28 **assessed in conformity with 50 IAC 2.3-1-1(d) (as effective before**
 29 **its repeal), is void to the extent it conflicts with this article.**

30 (b) Assessing officials shall:

- 31 (1) comply with **this article (including IC 6-1.1-4-4.4 and**
 32 **IC 6-1.1-15-1) and** the rules, appraisal manuals, bulletins, and
 33 directives adopted by the department of local government finance;
 34 (2) use the property tax forms, property tax returns, and notice
 35 forms prescribed by the department; and
 36 (3) collect and record the data required by the department.

37 (c) In assessing tangible property, the assessing officials may
 38 consider factors in addition to those prescribed by the department of
 39 local government finance if the use of the additional factors is first
 40 approved by the department. Each assessing official shall indicate on
 41 the official's records for each individual assessment whether:

- 42 (1) only the factors contained in the department's rules, forms, and

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1 returns have been considered; or

2 (2) factors in addition to those contained in the department's rules,
3 forms, and returns have been considered.

4 **(d) Any failure to comply with the procedures of a specific**
5 **assessing method, this article, or any rule of the department of**
6 **local government finance that is not in conflict with this article**
7 **shall be treated as an incorrect valuation.**

8 SECTION 6. IC 6-1.1-31-9 IS AMENDED TO READ AS
9 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) Except as
10 provided in ~~subsection~~ **subsections (b) and (c)**, the department of local
11 government finance may not adopt rules for the appraisal of real
12 property in a general reassessment after July 1 of the year before the
13 year in which the general reassessment is scheduled to begin.

14 (b) If rules for the appraisal of real property in a general
15 reassessment are timely adopted under subsection (a) and are then
16 disapproved by the attorney general for any reason under IC 4-22-2-32,
17 the department of local government finance may modify the rules to
18 cure the defect that resulted in disapproval by the attorney general, and
19 may then take all actions necessary under IC 4-22-2 to readopt and to
20 obtain approval of the rules. This process may be repeated as necessary
21 until the rules are approved.

22 **(c) The department of local government finance shall adopt**
23 **rules under IC 4-22-2 for assessing officials to follow in gathering**
24 **and processing information for the application of the income**
25 **capitalization method and the gross rent multiplier method when**
26 **required by IC 6-1.1-4 for assessment dates after January 15, 2012.**
27 **The initial rules adopted under this subsection must be adopted**
28 **before March 1, 2012.**

29 SECTION 7. IC 6-1.5-4-3 IS ADDED TO THE INDIANA CODE
30 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
31 UPON PASSAGE]: Sec. 3. (a) **This section applies to a proceeding**
32 **pending or commenced after December 31, 2010, for an assessment**
33 **date occurring after January 15, 2010.**

34 **(b) If:**

35 **(1) a petitioner appeals the assessed value of property to the**
36 **Indiana board and demonstrates to the Indiana board that an**
37 **assessing official has not complied with:**

38 **(A) IC 6-1.1-4-4.4;**

39 **(B) IC 6-1.1-15-1; or**

40 **(C) both IC 6-1.1-4-4.4 and IC 6-1.1-15-1; and**

41 **(2) the assessing official cannot prove that the assessed value**
42 **is not correct;**

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1 the Indiana board shall find that the assessed valuation for the
2 assessment date subject to appeal is equal to the assessed value
3 finally determined for the immediately preceding assessment date
4 and order the assessing official to change the assessed value back
5 to the assessed value finally determined for the immediately
6 preceding assessment date.

7 SECTION 8. [EFFECTIVE UPON PASSAGE] (a) The department
8 of local government finance may adopt temporary rules in the
9 manner provided in IC 4-22-2-37.1 for the adoption of emergency
10 rules to implement IC 6-1.1-31-9(c), as amended by this act. A
11 temporary rule adopted under this SECTION expires on the
12 earliest of the following:

- 13 (1) The date specified in the temporary rule.
- 14 (2) The date another temporary rule or a permanent rule
- 15 supersedes or repeals the previously adopted temporary rule.
- 16 (3) January 1, 2013.

17 (b) This SECTION expires January 1, 2013.

18 SECTION 9. An emergency is declared for this act.

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