STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

Overview

This is the annual report on the audit of exempt applications conducted by the Department of Local Government Finance. The applications audited were those filed in 2005 and approved by the county property tax board of appeals (PTABOA). The 2005 year is an "off year" for exemptions; applications are only filed for the property where the owner/occupant is seeking a new exemption. Previously, the property owner paid taxes or the property was exempt under another name. The total number of applications audited statewide was 1,988. In 2005, the department audited 215 applications.

Statutory Authority

IC 6-1.1-11-8
Review of approved application by department of local government finance; department action, report, and rules

Sec. 8. (a) On or before August 1 of each year, the county auditor of each county shall forward to the department of local government finance the duplicate copies of all approved exemption applications.

(b) The department of local government finance shall review the approved applications forwarded under subsection (a). The department of local government finance may deny an exemption if the department determines that the property is not tax exempt under the laws of this state. However, before denying an exemption, the department of local government finance must give notice to the applicant, and the department must hold a hearing on the exemption application.

(c) With respect to the approved applications forwarded under subsection (a), the department shall annually report to the executive director of the legislative services agency:

(1) the number forwarded;
(2) the number subjected to field investigation by the department; and
(3) the number denied by the department;

during the year ending on July 1 of the year. The department must submit the report under this subsection not later than August 1 of the year and in an electronic format under IC 5-14-6.

Procedures

The following procedures were followed by the Department of Local Government Finance (DLGF) in performing a review of exemption applications submitted pursuant to IC 6-1.1-11.

1. Exemption applications received by the agency were sorted by county, logged and counted.

   Counties not submitting applications for the 2005 assessment year were contacted to determine if any applications had been filed with the Property Tax Assessment Board of Appeals (PTABOA) of the respective county.

   a. If none had been filed with the PTABOA, the county was deemed to be in compliance for the year.
   b. If applications had been filed with the PTABOA, the county was reminded to forward copies to the DLGF pursuant to IC 6-1.1-11-8(a).
   c. Counties that continued to fail to provide copies of the applications were called upon by field representatives of the DLGF and reminded of the statutory requirement.

   The spreadsheet included with this report shows, by county, the number of applications received and the counties who failed to comply with the submission requirements.

2. The counties have been required to submit electronically formatted spreadsheets of the applications reviewed and approved by the county PTABOA. Counties not submitting spreadsheets have been reminded of this requirement. The compliance of the counties regarding this data submittal requirement is included in the report as Table 1.

3. The DLGF audited the approved exemption applications for all counties that had submitted data or applications.

4. For each county, the field staff member conducted an initial review consisting of determining the accuracy and completeness of the application and noting any inconsistencies. The DLGF has retained within its files the auditors' comments with regard to compliance with filing requirements.

5. Further in-depth reviews were made by verifying the name of the organization applying, the type of organization (e.g. religious, charitable and educational), the exemption classification, the action taken by the PTABOA, and the assessed value exemption amount. Documents attached to the applications (e. g. articles of incorporation, charters, balance sheets, legal descriptions) used to support the claim for exemptions were also reviewed.

6. In cases where the applications and supporting documents were insufficient for the auditor to understand the action taken by the PTABOA, DLGF field

representatives contacted the offices of the county assessors for clarification. The notes on responses to these follow-ups are maintained within the DLGF's files.

Findings

Table 2 shows by county, the number of exemption applications forwarded to the DLGF, the number subjected to audit by the department, and the number of PTABOA decisions pending hearing by the department. The DLGF has not yet reversed any of the PTABOA decisions on the 2005 exemption applications.

The majority of applications were found to be in compliance. However, for those applications the DLGF found not to be in compliance, the DLGF will hold hearings in the majority of cases. Some of the reasons why hearings will not be held include:

- ✓ Applications filed within one week of the due date to allow for mail service.
- ✓ Applications filed under incorrect statute, where the DLGF was able to determine that there was statutory authority for an exemption but that statute was not cited.
- ✓ The PTABOA failed to fully complete the "Action by the County Property Tax Assessment Board of Appeals" page of the exemption application.
- ✓ Applications that were not 100% complete and the incomplete items were deemed immaterial or the materials were retained by the county in an effort to minimize photocopying.
- ✓ Applications submitted without an attached property record card.

For those that were not compliant, the DLGF will be holding hearings under IC 6-1.1-11-8(b) when deemed necessary. Some of the factors affecting whether or not hearings will be held include:

- × Applications filed well past the statutory deadline of May 15, 2005.
- × Applications filed by a party other than the owner unless specifically authorized by statute or comparable case law.
- × Applications filed by an organization claiming an educational exemption where the DLGF does not believe that educational services, if any, would be relieving the public educational system of any burden.

In 162 cases, or eight percent of the reviewed applications, the department will be holding hearings to ensure that the local county PTABOA acted appropriately in their determinations. If not, the DLGF will be reversing those determinations and sending appropriate notifications to the applicants and the county.

The DLGF also undertook examining the data files submitted annually as part of the on-going data compliance program. The department compared the exempt parcels in the 2004 and the 2005 assessment year files for the 38 counties that have submitted both data sets. In 20 counties we were able to match the parcel identification numbers. We then checked the number of newly exempted parcels with the excel file and audit results. In eleven counties -- Carroll, Crawford, Floyd, Grant, Harrison, Miami, Owen, Spencer, Starke, Switzerland and Vanderburgh -- the deviation between the figures is several-fold and further investigation will be undertaken. We anticipate that many of these will be changes in parcel numbers; findings otherwise will be reported in the 2007 audit report.

NOTE: The 2005 Exemption Applications for Brown and Lake Counties have not been acted upon by their County PTABOA. It is expected those applications will be reviewed after August 1, 2006. The 2005 approved exemption applications will be reviewed and incorporated into the 2007 Exemption Audit report.

Future Audits

The DLGF is in the process of developing and documenting both a personal property and exemption audit program. This program is expected to be fully operational by January 1, 2007. The DLGF expects that prior to July 1, 2007, a field investigation/audit of the 2006 exemption applications in all ninety-two (92) counties will be completed, with the exception of Brown and Lake Counties where the 2005 exemption applications will be audited.

Table I -
2005 Exemptions - Status of Electronic Data Submittals

County Name	County Number	Report Submitted	Submitted in Suggested Format	Number of 2005 Approved Parcels per Spreadsheet	Other Years included in Spreadsheet?	# of Newly Exempted Parcels from Tax Billing Comparison *	Number of Audits Requested	Comments
Adams	1	Yes	Yes	12	No	N/A	0	2 auditor corrections also shown
Allen	2	Yes	No	43	No	N/A	N/A	
Bartholomew	3	Yes	Yes	25	No	N/A	0	
Benton	4	Yes	Yes	7	Yes	4	4	Spreadsheet appeared to include all NFP exemptions in the county.
Blackford	5	Yes	Yes	2	No	N/A	0	
Boone	6	No	No			N/A	N/A	
Brown	7	No	No			N/A	N/A	PTABOA has not acted on submitted 2005 exemption applications.
Carroll	8	No	No			76	N/A	
Cass	9	No	No			N/A	N/A	
Clark	10	Yes	Yes	13	No	N/A	0	
Clay	11	No	No			N/A	N/A	
Clinton	12	No	No			N/A	N/A	
Crawford	13	Yes	No	0	No	7	0	County reported no applications were filed. Tax Billing comparison shows 7 newly exempted parcels
Daviess	14	No	No			N/A	N/A	
Dearborn	15	No	No			N/A	N/A	
Decatur	16	No	No			N/A	N/A	
Dekalb	17	Yes	Yes	9	No	N/A	N/A	
Delaware	18	No	No			9	N/A	
Dubois	19	No	No			16	N/A	
Elkhart	20	Yes	Yes	78	No	N/A	2	
Fayette	21	No	No			18	N/A	
Floyd	22	No	No			85	N/A	
Fountain	23	Yes	No	0		N/A	0	County reported no applications were filed. County will provide e-mail confirmation to support this claim.
Franklin	24	No	No			N/A	N/A	
Fulton	25	No	No			N/A	N/A	
Gibson	26	No	No			39	N/A	
Grant	27	No	No			292	N/A	
Greene	28	Yes	No	21	No	N/A	0	
Hamilton	29	No	No			N/A	N/A	
Hancock	30	Yes	No	3	Yes	N/A	0	Format makes interpretation of filings for 2005 difficult. The number annotated in column "E" are labeled as new 2005 filings on the spreadsheet submitted by the county.
Harrison	31	No	No			57	N/A	
Hendricks	32	No	No			N/A	N/A	
Henry	33	No	No			N/A	N/A	
Howard	34	No	No			N/A	N/A	
Huntington	35	No	No			Remap	N/A	
Jackson	36	No	No			10	N/A	
Jasper	37	Yes	No	0	No	N/A	0	County reported no applications were filed.
Jay	38	Yes	Yes	13	No	N/A	0	
Jefferson	39	Yes	No	80	No	Remap	0	
Jennnings	40	Yes	Yes	8	No	N/A	0	
Johnson	41	No	No			N/A	N/A	

* Based on 2004 and 2005 Assessment Year Data File Submissions as of July 18, 2006. Remap = Parcel numbers reassigned making comparison by parcel ID impossible.

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County Name	County Number	Report Submitted	Submitted in Suggested Format	Number of 2005 Approved Parcels per Spreadsheet	Other Years included in Spreadsheet?	# of Newly Exempted Parcels from Tax Billing Comparison *	Number of Audits Requested	Comments
Knox	42	No	No			121 - Remap?	N/A	Assessor states he will not submit the information for 2005 due to the Auditor having the 136's. He did state he would submit a sheet for 2006.
Kosciusko	43	No	No			N/A	N/A	
Lagrange	44	Yes	No	16	No	N/A	16	
Lake	45	No	No			N/A	N/A	PTABOA has not acted on submitted 2005 exemption applications.
Laporte	46	Yes	No	17	Yes	N/A	0	
Lawrence	47	Yes	Yes	26	Yes	N/A	0	
Madison	48	No	No			86	N/A	
Marion	49	Yes	No	928	No	N/A	0	
Marshall	50	Yes	No	25	No	Remap	0	
Martin	51	Yes	Yes	4	No	N/A	0	
Miami	52	No	No			35	N/A	
Monroe	53	Yes	No	67	No	N/A	0	
Montgomery	54	Yes	Yes	22	No	15	0	Did not list code citations authorizing the exemption
Morgan	55	Yes	Yes	19	No	Remap	0	
Newton	56	No	No			N/A	N/A	
Noble	57	Yes	No	12	No	N/A	0	
Ohio	58	Yes	No	0	No	Remap	N/A	
Orange	59	No	No			N/A	N/A	
Owen	60	No	No			17	N/A	
Parke	61	Yes	No	7	Yes	Remap	0	Estimated number - format makes interpretation of filings for 2005 difficult- most appear to be 2004 filings
Perry	62	No	No			N/A	N/A	
Pike	63	No	No			N/A	N/A	
Porter	64	Yes	No	72	No	N/A	0	Format does not include any dates - makes interpretation of filings for 2005 impossible.
Posey	65	No	No			N/A	N/A	
Pulaski	66	No	No			N/A	N/A	
Putnam	67	No	No			N/A	N/A	
Randolph	68	Yes	Yes	10	No	N/A	0	
Ripley	69	Yes	Yes	14	No	N/A	1	
Rush	70	No	No			N/A	N/A	
Saint Joseph	71	Yes	No	125	No	N/A	0	Multiple reports sent. Appears to be duplication between the two reports. Used numbers from the "2005 Report", not the "New Exemptions for 2005" report.
Scott	72	Yes	No	7		Remap	0	
Shelby	73	No	No			Remap	N/A	
Spencer	74	No	No			115	N/A	
Starke	75	Yes	Yes	17	No	66	0	The spreadsheet submitted is missing information. Assumed one taxpayer filed multiple applications based on information provided.
Steuben	76	Yes	Yes	36	No	N/A	0	
Sullivan	77	No	No			N/A	N/A	

* Based on 2004 and 2005 Assessment Year Data File Submissions as of July 18, 2006. Remap = Parcel numbers reassigned making comparison by parcel ID impossible.

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Switzerland	78	No	No			24	N/A	
Tippecanoe	79	No	No			N/A	N/A	
Tipton	80	No	No			N/A	N/A	
Union	81	Yes	Yes	63	No	Remap	0	
Vanderburgh	82	No	No			260	N/A	
Vermillion	83	No	No			N/A	N/A	
Vigo	84	Yes	Yes	106	No	N/A	41	Did not list code citations authorizing the exemption.
Wabash	85	Yes	Yes	17	No	N/A	0	
Warren	86	No	No			N/A	N/A	
Warrick	87	Yes	Yes	12	No	N/A	0	
Washington	88	No	No			N/A	N/A	
Wayne	89	No	No			N/A	N/A	
Wells	90	Yes	No	1	No	Remap	0	
White	91	No	No			N/A	N/A	
Whitley	92	Yes	Yes	3	No	N/A	0	
Totals:	Yes	41	22	1940		1231	64	
	No	51	70					

* Based on 2004 and 2005 Assessment Year Data File Submissions as of July 18, 2006. Remap = Parcel numbers reassigned making comparison by parcel ID impossible.

TABLE II -
Audit of 2005 Approved Exemption Applications

County Name	County Number	Number of Approved Applications	Number Desk Audited	Number Field Audited	Number Hearings to be Held	Concerns relative to compliance with IC 6-1.1-10 & 11 (County-wide General Notes)
Adams	01	5	5	0	0	Multiple parcels on one application
Allen	02	38	38	0	12	Most applications were incomplete, missing copies or supporting documentation
Bartholomew	03	20	20	0	9	The applications all appear to be incomplete/missing copies and or supporting documents.
Benton	04	7	7	0	0	
Blackford	05	2	2	0	2	Late filings accepted
Boone	06	2	2	0	0	PTABOA findings incomplete.
Brown	07	0	0	0	0	Not yet available as not been taken to PTABOA as of yet.
Carroll	08	0	0	0	0	See Table I
Cass	09	1	1	0	0	
Clark	10	10	10	0	0	
Clay	11	6	6	0	1	
Clinton	12	13	13	0	2	
Crawford	13	0	0	0	0	See Table I
Daviess	14	4	4	0	0	
Dearborn	15	17	17	0	5	The Assessor appears not to have reviewed/signed off on any of these applications.
Decatur	16	13	13	0	2	
Dekalb	17	9	9	0	1	Required information not being submitted with exemption but being approved by PTABOA.
Delaware	18	60	60	0	0	
Dubois	19	7	7	0	0	
Elkhart	20	76	75	0	4	
Fayette	21	20	20	0	0	
Floyd	22	58	58	0	12	The PTABOA accepted late and incomplete filings.
Fountain	23	0	0	0	0	
Franklin	24	5	5	0	0	
Fulton	25	8	8	0	0	
Gibson	26	16	16	0	0	
Grant	27	64	64	0	0	
Greene	28	7	7		0	
Hamilton	29	37	37	0	6	
Hancock	30	3	3	0	0	
Harrison	31	13	13	0	0	
Hendricks	32	16	16	0	0	
Henry	33	15	15	0	0	
Howard	34	10	10	0	0	
Huntington	35	7	7	0	0	Attached Information was not provided to DLGF
Jackson	36	10	10	0	0	

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County Name	County Number	Number of Approved Applications	Number Desk Audited	Number Field Audited	Number Hearings to be Held	Concerns relative to compliance with IC 6-1.1-10 & 11 (County-wide General Notes)
Jasper	37	0	0	0	0	County does not require taxpayers to file Form 136 to retain exemption. For 2005, there did not appear to be any new claims submitted. All approved on submitted spreadsheet appeared to have been prior approved for 2004.
Jay	38	13	13	0	6	PTABOA accepted late filings
Jefferson	39	18	18	0	0	
Jennnings	40	6	6	0	0	
Johnson	41	30	30	0	0	
Knox	42	5	5	0	0	
Kosciusko	43	11	9	0	0	
Lagrange	44	12	12	0	4	
Lake	45	0	0	0	0	County has not acted on submitted Form 136 claims for 2005. County has two employees dedicated to reviewing claims and they are still working on prior year claims. It is not known when they will get to the 2005 claims. Over 300 claims filed for 2005.
Laporte	46	7	7	0	0	
Lawrence	47	17	17	0	0	
Madison	48	168	168	0	47	Late filings accepted
Marion	49	388	388	0	0	
Marshall	50	12	12	0	0	
Martin	51	2	2	0	0	
Miami	52	0	0	0	0	
Monroe	53	69	69	0	0	
Montgomery	54	19	20	0	0	
Morgan	55	19	19	0	0	
Newton	56	0	0	0	0	The single application was denied by the PTABOA
Noble	57	9	9	0	0	
Ohio	58	0	0	0	0	
Orange	59	0	0	0	0	
Owen	60	2	2	0	1	No supporting documents attached
Parke	61	7	7	0	5	Late filings accepted, missing signatures and documentation
Perry	62	6	6	0	0	
Pike	63	1	1	0	0	
Porter	64	32	32	0	0	
Posey	65	6	6	0	0	
Pulaski	66	4	4	0	0	
Putnam	67	16	16	0	0	
Randolph	68	10	10	0	1	
Ripley	69	14	14	0	2	
Rush	70	5	5	0	0	
Saint Joseph	71	125	117	0	2	PTABOA on its own motion granted 2 exemptions retroactively for 2004.

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County Name	County Number	Number of Approved Applications	Number Desk Audited	Number Field Audited	Number Hearings to be Held	Concerns relative to compliance with IC 6-1.1-10 & 11 (County-wide General Notes)
Scott	72	5	5	0	0	The PTABOA approved all applications for 2005 and did not enter the dates on the applications. I have told them each form needs to be acted.
Shelby	73	13	13	0	0	
Spencer	74	1	1	0	0	None
Starke	75	4	4	0	0	County does not have a PTABOA that approves claims. All claims are approved by the County Assessor.
Steuben	76	18	18	0	14	Several exemptions were not timely filed yet allowed by the county.
Sullivan	77	10	10	0	3	Several exemptions were not timely filed yet allowed by the county.
Switzerland	78	0	0	0	0	
Tippecanoe	79	40	40	0	10	Several exemptions were not timely filed yet allowed by the county.
Tipton	80	1	1	0	0	
Union	81	63	63	0	0	
Vanderburgh	82	56	56	0	0	
Vermillion	83	10	10	0	2	PTABOA accepted late filings. Required information not being submitted with exemption but being approved by PTABOA.
Vigo	84	42	42	0	1	
Wabash	85	13	13	0	1	Several of the applications were missing attachments.
Warren	86	4	4	0	1	
Warrick	87	6	6	0	0	
Washington	88	15	15	0	0	The PTABOA did not enter approval or denial on each form.
Wayne	89	82	82	0	5	
Wells	90	1	0	0	0	
White	91	0	0	0	0	
Whitley	92	3	3	0	1	
	Totals	1999	1988	0	162	
					8%	