

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.

Procedure

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 2004 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.

- i. If none had been filed with the PTABOA, the county was deemed to be in compliance for the year.
- ii. 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).
- iii. 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 DLGF randomly chose nine (9) counties to audit the exemption applications submitted. Limited staff availability and attendance to other duties involved with the direct assessment of property did not allow audits of all counties submitting applications for the 2004 assessment year.
3. For each county selected for audit, every tenth exemption application was initially reviewed by a field staff representative of the DLGF. The initial review consisted 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.

4. 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.
5. 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

Included with this report is a spreadsheet showing, 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 reversed by the department.

The majority of applications were found to be in compliance. Of those that were not completely compliant, the reasons varied. For example, some applications were incomplete (e.g. the assessed value was not on the form; a legal description was not included; etc.) and for some, the actual exemption application may not have been included in the file. For those that an application was not found, the most common reason was the parcel that was the subject of

application was included with another parcel/application owned by the same taxpayer (e.g. a hospital with multiple parcels).

Of the nine counties audited, the total assessed value of exemption applications audited was \$60,039,140 out of a total exemption assessed value in those counties of \$943,319,422. This represents six and thirty-six one hundredths percent (6.36%) of the value of exempt properties in the counties chosen for audit.

The DLGF did not reverse any of the PTABOA decisions on 2004 exemption applications. In all cases, the department was satisfied that the PTABOA's acted appropriately in their determinations.

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, 2006. The DLGF expects that prior to July 1, 2006, a field investigation/random audit of 2005 exemption applications in all ninety-two (92) counties will be completed.

DEPARTMENT OF LOCAL GOVERNMENT FINANCE ASSESSMENT DIVISION 2004 EXEMPTION AUDIT				
COUNTY	County #	Number of Applications Filed for the 2004 Assessment Year	Number of Applications Audited in 2005	Number of Exemptions Reversed by the DLGF
Adams	1	0	0	0
Allen	2	0	0	0
Bartholomew	3	0	0	0
Benton	4	0	0	0
Blackford	5	349	0	0
Boone	6	0	0	0
Brown	7	0	0	0
Carroll	8	132	0	0
Cass	9	0	0	0
Clark	10	0	0	0
Clay	11	0	0	0
Clinton	12	126	38	0
Crawford	13	0	0	0

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 ASSESSMENT DIVISION
 2004 EXEMPTION AUDIT**

COUNTY	County #	Number of Applications Filed for the 2004 Assessment Year	Number of Applications Audited in 2005	Number of Exemptions Reversed by the DLGF
Daviess	14	0	0	0
Dearborn	15	0	0	0
Decatur	16	96	0	0
Dekalb	17	154	0	0
Delaware	18	0	0	0
Dubois	19	0	0	0
Elkhart	20	0	0	0
Fayette	21	0	0	0
Floyd	22	0	0	0
Fountain	23	0	0	0
Franklin	24	49	0	0
Fulton	25	0	0	0
Gibson	26	92	0	0
Grant	27	0	0	0
Greene	28	384	0	0
Hamilton	29	296	0	0
Hancock	30	94	0	0
Harrison	31	84	0	0
Hendricks	32	0	0	0
Henry	33	0	0	0
Howard	34	86	0	0
Huntington	35	0	0	0
Jackson	36	0	0	0
Jasper	37	0	0	0
Jay	38	59	0	0
Jefferson	39	0	0	0
Jennings	40	120	0	0
Johnson	41	114	0	0
Knox	42	0	0	0
Kosciusko	43	0	0	0
Lagrange	44	353	0	0
Lake	45	0	0	0

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COUNTY	County #	Number of Applications Filed for the 2004 Assessment Year	Number of Applications Audited in 2005	Number of Exemptions Reversed by the DLGF
Laporte	46	0	0	0
Lawrence	47	0	0	0
Madison	48	0	0	0
Marion	49	4073	0	0
Marshall	50	95	0	0
Martin	51	0	0	0
Miami	52	0	0	0
Monroe	53	812	0	0
Montgomery	54	85	0	0
Morgan	55	86	0	0
Newton	56	23	0	0
Noble	57	160	0	0
Ohio	58	0	0	0
Orange	59	100	0	0
Owen	60	0	0	0
Parke	61	0	0	0
Perry	62	53	0	0
Pike	63	0	0	0
Porter	64	0	0	0
Posey	65	0	0	0
Pulaski	66	66	28	0
Putnam	67	120	13	0
Randolph	68	0	0	0
Ripley	69	54	7	0
Rush	70	42	0	0
St. Joseph	71	1248	0	0
Scott	72	59	0	0
Shelby	73	65	0	0
Spencer	74	0	0	0
Starke	75	0	0	0
Steuben	76	0	0	0
Sullivan	77	47	0	0

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 2004 EXEMPTION AUDIT**

COUNTY	County #	Number of Applications Filed for the 2004 Assessment Year	Number of Applications Audited in 2005	Number of Exemptions Reversed by the DLGF
Switzerland	78	52	9	0
Tippecanoe	79	202	107	0
Tipton	80	37	0	0
Union	81	47	6	0
Vanderburgh	82	1149	0	0
Vermillion	83	0	0	0
Vigo	84	0	0	0
Wabash	85	22	7	0
Warren	86	0	0	0
Warrick	87	91	0	0
Washington	88	20	0	0
Wayne	89	0	0	0
Wells	90	41	0	0
White	91	45	0	0
Whitley	92	52	0	0
Total Applications		13538	2220	0
# of Counties		92	92	0