

PROPERTY TAXES IN INDIANA

86 COMPLETED COUNTIES - 2007-2008



Legislative Services Agency

March 2009

Statewide Overview of Changes in Homeowners' Tax Bills

The Legislative Services Agency has completed county property tax studies for 86 counties to date. These counties include 78% of all homesteads in Indiana. All 86 counties saw tax bills decrease from Pay 2007 to Pay 2008, and the average homestead tax bill decreased by 30.5%. In total for the 86 counties, 96.1% of homesteads saw tax decreases. The 6 remaining counties have not fully billed for 2008 taxes.

The General Assembly provided an additional \$870 M in homestead credits for 2008 tax bills. As seen in the table below, without the additional homestead credit, homeowners' tax bills would have increased on average by 2.7%, and only 37.0% of homeowners would have seen decreases.

The average homestead saw a property tax bill reduction of about 30.5% in Pay 2008 in the 86 counties analyzed so far. These counties contain 78% of all Indiana homesteads.

With the additional homestead credit, it was estimated that homeowner taxes should fall by a statewide average of 30.4%. The results for these 86 counties show an average reduction of 30.5%. However, the size of the homestead tax bill reductions varied significantly by county. In 8 counties the average homestead tax bill fell by 50% or more, but in 24 counties the tax bill reduction was less than 30%. (Wabash County saw the largest average reduction at 81.7%, and Boone County saw the smallest average reduction at 9.8%.) In the midrange of results, 18 counties experienced an average tax bill reduction between 40% and 50%, and 36 counties saw a reduction averaging between 30% and 40%.

Changes in Homeowner Tax Bills from 2007 to 2008				
Totals For 86 Counties				
Change in Tax Bill	With Added 2008 Homestead Credit		Illustrated Without Added 2008 Homestead Credit	
	Number of Homesteads	% Share of Total	Number of Homesteads	% Share of Total
20% or more	20,854	1.6%	153,549	11.7%
10% to 19%	6,393	0.5%	200,075	15.2%
1% to 9%	15,392	1.2%	466,398	35.5%
0%	8,810	0.7%	9,228	0.7%
-1% to -9%	47,847	3.6%	256,888	19.5%
-10% to -19%	159,218	12.1%	104,253	7.9%
-20% to -29%	260,564	19.8%	59,296	4.5%
-30% to -39%	375,505	28.5%	21,242	1.6%
-40% to -49%	236,422	18.0%	13,992	1.1%
-50% to -59%	102,924	7.8%	16,742	1.3%
-60% to -69%	34,373	2.6%	5,565	0.4%
-70% to -79%	23,306	1.8%	1,996	0.2%
-80% to -89%	11,967	0.9%	1,028	0.1%
-90% to -99%	6,907	0.5%	597	0.0%
-100%	<u>4,851</u>	<u>0.4%</u>	<u>4,484</u>	<u>0.3%</u>
Total	1,315,333	100.0%	1,315,333	100.0%
Higher Tax Bill	42,639	3.2%	820,022	62.3%
No Change	8,810	0.7%	9,228	0.7%
Lower Tax Bill	1,263,884	96.1%	486,083	37.0%
Average Change in Tax Bill	-30.5%		2.7%	

The table below shows three main reasons for the range in tax reductions including the adoption of a local income tax, levy growth, and the debt service share of the total levy. In the table, homesteads are divided into several categories, and the average 2007-2008 tax bill change for the category is calculated. As seen in the table, the average homestead tax cut was 30.5% for all 86 counties, most counties did not adopt a local income tax, the levy growth averaged about 5% statewide, and debt service share of total levy varied greatly.

Local Income Tax Adoption, Levy Growth, and Debt Service Share Effect on Homeowner Tax Bill Changes, 2007-2008 86 Counties		
	<u>Avg. Homeowner Tax Bill Change</u>	<u>Number of Counties</u>
All Counties	-30.5%	86
Adopted Local Income Tax		
No	-28.7%	74
Yes	-56.9%	12
Levy Growth		
Less Than 0%	-46.5%	12
0% to 3%	-39.3%	21
3% to 7%	-31.2%	30
7% to 10%	-24.2%	12
More than 10%	-17.2%	11
Debt Service Share of Total Levy		
Less Than 12.5%	-45.5%	18
12.5% to 15%	-32.9%	20
15% to 17.5%	-39.5%	14
17.5% to 20%	-31.4%	14
More than 20%	-21.6%	20

Homeowners saw larger tax reductions in counties that adopted a local income tax for property tax relief. In 2007, 14 counties adopted new LOIT, effective in 2008, and 12 of those counties are documented in this report. Homesteads in these LOIT counties saw an average tax bill decrease of 56.9% in 2008. Homeowners in the 74 reporting counties that did not adopt a LOIT saw an average tax reduction of 28.7%.

Homeowners saw larger tax reductions in counties where local governments had smaller property tax levy increases. Twelve reporting counties saw a decrease in the total tax levy of all local units with homeowners seeing an average tax reduction of 46.5%. Eleven reporting counties saw levy increases of more than 10% with homeowners seeing an average tax reduction of only 17.2%.

Homeowners saw larger tax reductions in counties

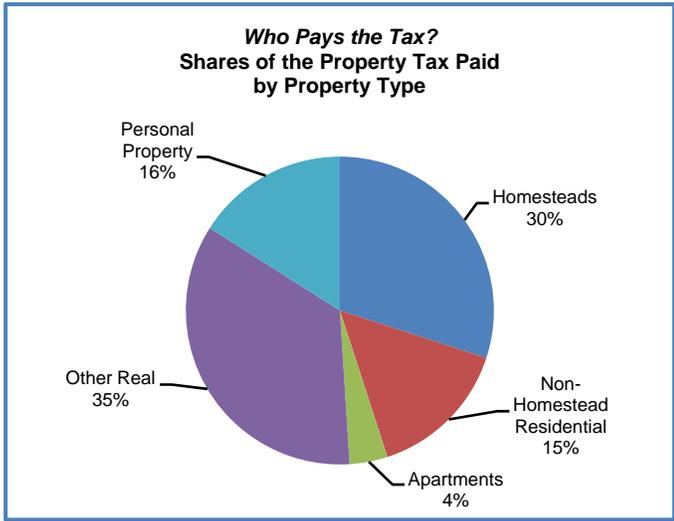
where debt service levies were a small share of the total property tax levy. Debt service levies pay the interest and principal on money borrowed for large building projects. The homestead credit formula used to distribute tax relief in 2008 excluded debt service levies. Thus, homeowners did not receive homestead credits on that part of their tax bill that went to repay debt. Homeowners in counties where less than 12.5% of the levy was for debt service saw an average tax reduction of 45.5%. Homeowners in counties where more than 20% of the levy was for debt service saw an average tax reduction of only 21.6%.

Of the 12 counties with the smallest homeowner tax reductions, 11 had debt service levy shares of more than 20%, 8 had total levy increases of 7% or more, and none had adopted the new local option income taxes.

Of the 12 counties with the largest homeowner tax reductions, 10 adopted a LOIT for 2008, 11 had either levy decreases or increases of less than 3%, and 8 had debt service levy shares under 15%; only one had a share greater than 20%.

Tax bill reductions were larger in counties that adopted a local income tax for property tax relief, in counties with smaller property tax levy growth, and in counties with a small share of debt service in their total tax levies.

The adoption of local income taxes for property tax relief, changes in levies, and the share of debt service in the total levy explain much of the variation in homestead tax bill results. Other factors influence homestead tax bills, however. Tax bills are likely to fall more where homestead assessed values rise less than assessed values of other kinds of property. In such counties, taxes would shift from homesteads to other property. Tax bill changes are also affected by the location of homesteads within county tax districts. If more homesteads are located in tax districts where levy growth is smaller, the homestead tax reduction will be larger.



Statewide, 30% of property taxes are paid by homeowners (homesteads are primary residences, occupied by their owners); 15% are paid by owners of smaller rental housing units or owners of second homes (non-homestead residential); 4% are paid by owners of larger rental housing units (commercial apartments); and 51% are paid by other agricultural, commercial, industrial, or utility businesses on their real property (land and buildings) or on their personal property (equipment).

The table below shows details for the 12 counties that saw overall property tax levy decreases from 2007 to 2008 and the 10 counties that saw overall levy increases of more than 10%. The last column of the table describes the main reasons for the levy changes.

Reductions in county welfare levies were an important reason for overall levy decreases in 10 of the 12 counties where levies fell. Decreases in school debt service levies were important in 6 of these counties.

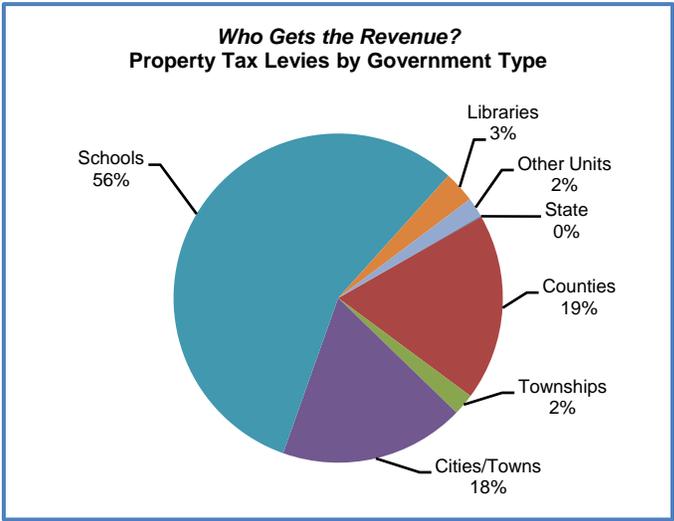
County welfare levies fell substantially in 10 of 12 counties with overall levy decreases. Large overall levy increases occurred mostly where school debt service levies increased substantially.

On the other hand, increases in school corporation debt service levies were an important reason for levy increases in 8 of the 10 counties with increases of more than 10%. Increases in other school funds were important in six other counties with big levy increases, and increases in county welfare levies were important in three counties.

Statewide, school corporations receive 56% of all property taxes. The counties, cities, and towns receive 37% of all property taxes. Townships, library districts, other units, and the state receive the smallest share of property taxes, about 7%.

In 2009 the school and county shares of property tax revenue will decrease significantly when the state takes over the school general fund and county welfare levies.

Appendix A is a summary of all 86 completed counties. This summary includes the 2007 to 2008 change in homestead tax bills, both actual and before application of the \$870 M in additional homestead credits. The summary also shows the percentage change in the total property tax levy for all units in the county. The LOIT tax rate for 2008 is shown for each adopting county. The portions of the rate dedicated to levy freeze, homestead credits, residential credits, and property tax replacement credits for all properties are included.



Explanations for Counties with Large Levy Decreases/ Increases

Counties with Levy Decreases

County	Homestead Change	Levy Change	Text Explanation
Scott	-38.5%	-5.7%	The tax levy fell mainly because of decreases in the county welfare levies and in the Scott County District Number 1 School Corporation debt service and capital projects fund levies.
Cass	-44.2%	-3.2%	The county welfare levies accounted for most of the decrease.
Putnam	-42.2%	-2.4%	The biggest levy decreases were in the county welfare funds and the Greencastle School Corporation's debt service fund.
Huntington	-46.7%	-2.2%	Reductions in the county welfare levies and the Huntington School Corporation debt service levy accounted for most of the overall levy drop.
Starke	-38.6%	-2.1%	The county welfare fund and Knox City's general fund saw the largest levy decreases.
Sullivan	-39.9%	-2.1%	The largest decreases were in the county welfare levies.
Pike	-40.2%	-1.7%	The largest decreases were in the county general fund and welfare levies.
Jackson	-40.5%	-1.6%	The Seymour Community School Corporation was responsible for the largest levy decreases, due to decreases in taxes for debt service, capital projects, and school bus replacement.
Montgomery	-75.2%	-1.4%	The largest levy decreases were for the county jail lease rental fund, the county welfare funds, and the North Montgomery School Corporation's debt service fund.
Shelby	-25.6%	-0.8%	County welfare levies saw the biggest decline.
Vanderburgh	-48.5%	-0.7%	The county welfare levies accounted for most of the decrease.
Parke	-53.3%	-0.1%	The largest levy decreases were for the county general fund and the Southwest Parke School Corporation debt service fund.

Counties with Levy Increases of More than 10%

County	Homestead Change	Levy Change	Text Explanation
Switzerland	-36.6%	10.4%	The Switzerland County School Corporation levy for bus replacement saw the largest increase.
Rush	-42.7%	10.6%	County welfare levies and the Rush County School Corporation capital projects levy saw the largest increases.
Franklin	-27.6%	10.8%	The largest increases were in the Franklin County Community School Corporation general fund and debt service fund levies.
Hamilton	-14.8%	11.5%	The largest increases were in the Hamilton Southeastern School Corporation general fund and capital projects levies, the Carmel-Clay School Corporation general fund and pension debt levies, the Noblesville School Corporation general fund and debt service levies, and various Carmel City levies.
Clark	-33.2%	11.6%	West Clark and Greater Clark County School Corporations saw the largest levy increases, due to increases in taxes for debt service. The county saw a large levy decrease, in the general fund and welfare funds.
Owen	-15.4%	12.7%	County welfare levies increased significantly, as did the Spencer-Owen Community School Corporation general fund and debt service levies.
Adams	-21.1%	13.1%	County levies for welfare increased substantially, as did Adams Central and South Adams School Corporation levies for debt service.
Union	-16.4%	14.5%	The Union County School Corporation general fund, debt service, capital projects, and bus replacement levies increased the most.
Hancock	-11.5%	15.5%	The Greenfield Central Community School Corporation and Mt. Vernon School Corporation debt service levies saw the largest increases.
Lawrence	-17.1%	16.7%	North Lawrence School Corporation was responsible for the largest levy increase, due to increases in taxes for debt service.

Changes in Homeowner Tax Bills from 2007 to 2008
86 Available Counties To Date

Cnty	County	Tax Bill Change (Actual)	Tax Bill Change Before \$870 M Hmstd Credit	Total Levy Change	2008 LOIT Tax Rate Adopted				
					Levy Freeze	Hmstd Credit	Res Credit	All Prop Credit	Total
01	Adams	-21.1%	15.6%	13.1%					
02	Allen	-33.8%	3.0%	4.0%					
03	Bartholomew	-38.1%	0.8%	1.0%					
04	Benton	-59.0%	-20.8%	2.7%				1.00%	1.00%
05	Blackford	-34.8%	4.0%	4.2%					
06	Boone	-9.8%	2.0%	8.9%					
07	Brown		-- Not Available --		0.20%	0.50%			0.70%
08	Carroll	-32.7%	3.9%	5.8%					
09	Cass	-44.2%	-5.3%	-3.2%					
10	Clark	-33.2%	19.7%	11.6%					
11	Clay	-43.6%	6.8%	6.5%					
12	Clinton	-38.6%	0.3%	8.4%					
13	Crawford	-32.2%	3.8%	10.0%					
14	Daviess	-36.3%	3.4%	9.6%					
15	Dearborn	-25.5%	1.3%	4.4%					
16	Decatur	-29.7%	13.0%	9.9%					
17	DeKalb	-34.7%	7.1%	6.5%					
18	Delaware	-34.4%	6.3%	3.4%					
19	Dubois	-21.9%	5.9%	5.8%					
20	Elkhart	-25.1%	7.6%	4.8%					
21	Fayette	-76.2%	-15.3%	2.4%			1.00%		1.00%
22	Floyd	-28.1%	10.9%	9.2%					
23	Fountain	-38.3%	3.1%	5.8%					
24	Franklin	-27.6%	13.7%	10.8%					
25	Fulton	-33.9%	11.8%	2.7%					
26	Gibson	-30.1%	0.3%	4.2%					
27	Grant	-42.3%	0.3%	0.3%					
28	Greene	-22.9%	5.9%	8.8%					
29	Hamilton	-14.8%	5.9%	11.5%					
30	Hancock	-11.5%	13.2%	15.5%					
31	Harrison	-40.9%	-6.6%	0.0%					
32	Hendricks	-23.0%	-3.7%	5.4%					
33	Henry	-35.7%	0.5%	2.3%					
34	Howard	-49.5%	-23.1%	3.1%		0.50%			0.50%
35	Huntington	-46.7%	-4.6%	-2.2%					
36	Jackson	-40.5%	0.7%	-1.6%					
37	Jasper	-43.4%	-12.4%	5.3%	0.30%			1.00%	1.30%
38	Jay	-61.9%	-27.5%	2.7%	0.40%		0.50%		0.90%
39	Jefferson	-33.5%	-0.1%	3.6%					
40	Jennings	-26.8%	4.0%	1.7%					
41	Johnson	-23.6%	-0.6%	2.9%					
42	Knox	-37.4%	2.2%	2.0%					
43	Kosciusko	-27.8%	3.8%	3.7%					
44	LaGrange	-33.8%	3.7%	5.2%					
45	Lake	-30.5%	6.7%	3.8%					
46	LaPorte		-- Not Available --						
47	Lawrence	-17.1%	21.4%	16.7%					
48	Madison	-33.3%	10.3%	6.4%					
49	Marion		-- Not Available --		0.20%				0.20%
50	Marshall	-32.6%	5.1%	4.8%					

**Changes in Homeowner Tax Bills from 2007 to 2008
86 Available Counties To Date**

Cnty	County	Tax Bill Change (Actual)	Tax Bill Change Before \$870 M Hmstd Credit	Total Levy Change	2008 LOIT Tax Rate Adopted				
					Levy Freeze	Hmstd Credit	Res Credit	All Prop Credit	Total
51	Martin	-31.7%	0.7%	5.1%					
52	Miami	-33.3%	9.1%	6.8%					
53	Monroe	-27.4%	8.3%	7.4%					
54	Montgomery	-75.2%	-51.1%	-1.4%		0.80%		0.20%	1.00%
55	Morgan	-53.9%	-24.8%	2.3%	0.20%			1.00%	1.20%
56	Newton	-34.8%	6.9%	8.3%					
57	Noble	-33.0%	3.3%	5.4%					
58	Ohio	-48.6%	-1.7%	2.7%					
59	Orange	-40.0%	-3.7%	2.4%					
60	Owen	-15.4%	11.6%	12.7%					
61	Parke	-53.3%	-17.1%	-0.1%	0.30%			0.25%	0.55%
62	Perry	-30.2%	1.5%	4.6%					
63	Pike	-40.2%	-3.4%	-1.7%					
64	Porter		-- Not Available --						
65	Posey		-- Not Available --						
66	Pulaski	-51.2%	-22.2%	0.9%	0.40%			1.00%	1.40%
67	Putnam	-42.2%	-9.6%	-2.4%					
68	Randolph	-43.9%	-1.2%	2.2%					
69	Ripley	-37.5%	3.9%	9.7%					
70	Rush	-42.7%	11.4%	10.6%					
71	St. Joseph		-- Not Available --						
72	Scott	-38.5%	-11.2%	-5.7%					
73	Shelby	-25.6%	6.0%	-0.8%					
74	Spencer	-34.2%	-1.2%	4.6%					
75	Starke	-38.6%	-9.6%	-2.1%					
76	Steuben	-25.6%	9.0%	7.5%					
77	Sullivan	-39.9%	-6.5%	-2.1%					
78	Switzerland	-36.6%	5.9%	10.4%					
79	Tippecanoe	-28.8%	5.9%	5.8%					
80	Tipton	-39.1%	2.5%	5.7%					
81	Union	-16.4%	14.3%	14.5%					
82	Vanderburgh	-48.5%	-3.0%	-0.7%					
83	Vermillion	-35.4%	-4.0%	0.8%					
84	Vigo	-38.2%	9.4%	3.6%					
85	Wabash	-81.7%	-47.2%	0.5%	0.40%	0.50%		0.50%	1.40%
86	Warren	-46.9%	-9.7%	2.9%	0.30%			0.25%	0.55%
87	Warrick	-25.9%	4.8%	3.8%					
88	Washington	-32.6%	6.0%	7.6%					
89	Wayne	-40.8%	3.3%	1.6%					
90	Wells	-45.2%	-6.0%	6.6%	0.40%	0.20%			0.60%
91	White	-36.1%	-9.9%	0.8%					
92	Whitley	-25.7%	7.3%	8.9%					
	Avg / Count				10	5	2	8	14
	86 Counties	-30.5%	2.7%	4.9%	8	4	2	8	12