

Property Tax Payments, 2002-2003 - Daviess County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Daviess County from \$3.9 Million in 2002 to \$6.8 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Daviess County, state tax credits

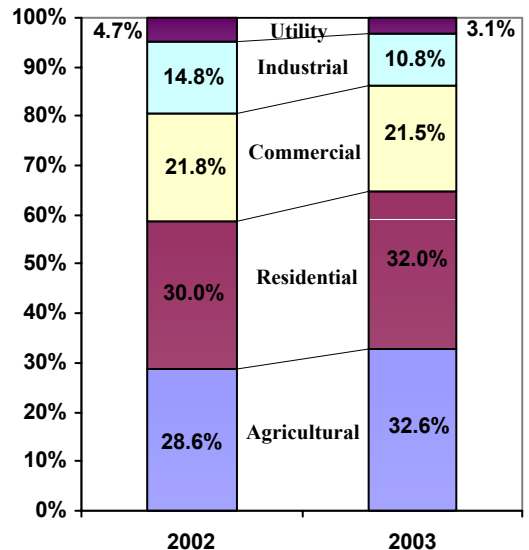
Table 1. Changes in AV and Tax Bills by Property Class for Daviess County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	77.1%	62.6%	3.3%
Residential (All)	77.7%	56.4%	-3.1%
Homestead Only	74.0%	42.4%	-13.6%
Commercial	36.7%	35.0%	-10.6%
Industrial	21.8%	-1.0%	-33.5%
Utility	-17.3%	-17.3%	-40.3%
Avg. All Classes	55.9%	42.3%	-9.2%

increased from \$3.9 million to \$6.8 million, an increase of \$2.9 million. This paper provides a brief summary of how these factors changed property tax liabilities in Daviess County.

Tax Shifts. Tax bills for all classes of property but agriculture fell in Daviess County in 2003 (see Table 1). Agricultural property taxes rose by a small amount. Gross real plus personal assessed values (AV) increased more for agriculture and residential property than for most business property. Residential net AV increased less than residential gross AV because of the large increase in the homestead deduction. Only the homestead portion of agricultural property was eligible for this deduction. Residential and agricultural net AV still increased more than business AV, however. As a result, residential property received a tax reduction and agricultural property saw a small tax hike. Commercial, industrial, and utility property received larger reductions. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced

Figure 1. Share of Net Property Tax Billings in Daviess County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

property tax payments by utilities.] These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Daviess County saw their tax bills decrease by a greater amount than the average residential property decrease. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner’s primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased while homestead property decreased. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Daviess County, more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, almost three-quarters of homestead owners saw decreases rather than increases.

	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	45.5%	27.4%	41.0%	23.2%
Decreased	54.5%	72.6%	59.0%	76.8%
Increased 100% or More	11.9%	5.3%	10.2%	5.0%
Decreased 25% or More	28.1%	41.7%	33.1%	48.7%
Average Change (\$)	-\$40	-\$139	-\$67	-\$169
Average Change (%)	-6.6%	-18.9%	-11.1%	-23.0%

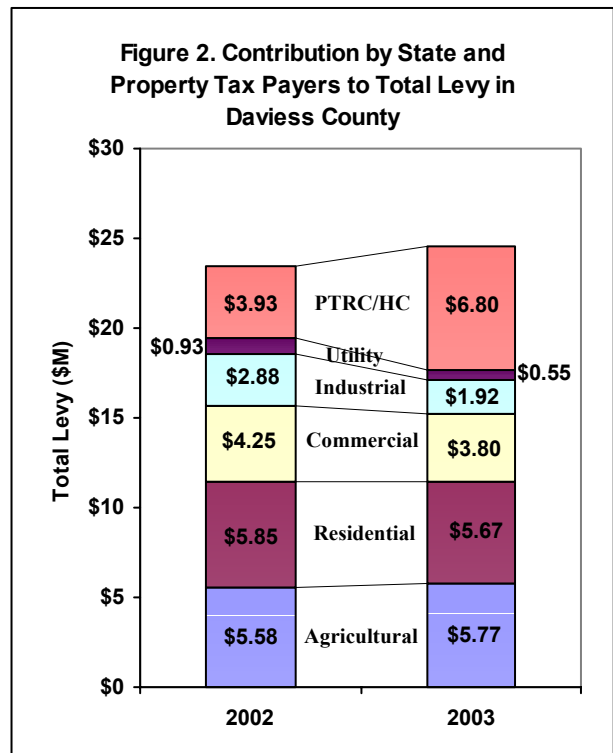
* Percentages represent the percentage of parcels affected.

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about 59% of all residential property owners would have seen tax decreases. About 77% of homesteads would have seen decreases. With or without levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Daviess County rose. Overall, agricultural business taxes rose while agricultural homestead taxes decreased. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a small amount by comparison.

Business. Taxes on business property fell in Daviess County because assessed values rose much less than residential and agricultural assessments. Business real



property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Daviess County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Daviess County by PTRC and state homestead credit payments increased by approximately 73%, from \$3.9 million to \$6.8 million.

Table 3 shows estimates of how Daviess County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been large. The increases in the homestead deduction and PTRC in the tax restructuring led to decreases in tax liability. Daviess County residential property taxes actually decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for decreasing the taxes on commercial property. The elimination of PTRC for personal property was responsible for reducing the tax cuts received by industrial and utility property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	22.4%	3.3%	-19.1%
Residential (All)	31.8%	-3.1%	-34.9%
Homestead Only	37.7%	-13.6%	-51.2%
Commercial	-6.5%	-10.6%	-4.1%
Industrial	-35.0%	-33.5%	1.5%
Utility	-46.6%	-40.3%	6.3%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Daviess County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	617,625,985	236,542,556	283,013,703	221,423,731	77,663,628	20,406,097	0
Real Deductions	79,568,003	15,333,435	64,026,460	64,026,460	204,962	3,146	0
Real Net Assessed Value	538,057,982	221,209,121	218,987,243	157,397,271	77,458,666	20,402,951	0
Personal Gross Assd. Value	305,622,395	31,611,410	3,355,210	0	65,080,777	168,117,168	37,457,830
Personal Deductions	74,386,010	0	21,710	0	481,350	73,882,950	0
Personal Net Assd. Value	231,236,385	31,611,410	3,333,500	0	64,599,427	94,234,218	37,457,830
Total Gross Assessed Value	923,248,380	268,153,966	286,368,913	221,423,731	142,744,405	188,523,265	37,457,830
Total Deductions	153,954,013	15,333,435	64,048,170	64,026,460	686,312	73,886,096	0
Total Net Assessed Value	769,294,367	252,820,531	222,320,743	157,397,271	142,058,093	114,637,169	37,457,830
Gross Levy	23,539,328	6,629,112	7,456,403	5,292,643	5,004,702	3,368,787	1,080,325
PTRC (Calculated)	3,434,644	925,822	1,114,382	791,342	752,469	487,362	154,609
State/County Homestead Cr. (Calculated)	611,766	119,371	492,395	492,395	0	0	0
Net Levy	19,492,918	5,583,919	5,849,625	4,008,905	4,252,233	2,881,425	925,716
Pay 2003							
Real Gross Assessed Value	1,075,927,530	437,694,774	505,604,024	385,384,157	107,028,874	25,599,858	0
Real Deductions	230,402,823	63,896,502	161,196,400	161,196,400	2,791,183	2,518,738	0
Real Net Assessed Value	845,524,707	373,798,272	344,407,624	224,187,757	104,237,691	23,081,120	0
Personal Gross Assd. Value	363,737,180	37,226,940	3,366,640	0	88,117,691	204,062,419	30,963,490
Personal Deductions	114,244,740	0	14,650	0	534,280	113,695,810	0
Personal Net Assd. Value	249,492,440	37,226,940	3,351,990	0	87,583,411	90,366,609	30,963,490
Total Gross Assessed Value	1,439,664,710	474,921,714	508,970,664	385,384,157	195,146,565	229,662,277	30,963,490
Total Deductions	344,647,563	63,896,502	161,211,050	161,196,400	3,325,463	116,214,548	0
Total Net Assessed Value	1,095,017,147	411,025,212	347,759,614	224,187,757	191,821,102	113,447,729	30,963,490
Gross Levy	24,666,976	8,155,456	8,487,537	5,442,835	4,904,128	2,445,438	674,417
PTRC (Calculated)	6,433,608	2,314,094	2,364,064	1,521,646	1,103,495	529,732	122,223
State/County Homestead Cr. (Calculated)	529,401	72,991	456,410	456,410	0	0	0
Net Levy	17,703,968	5,768,372	5,667,063	3,464,779	3,800,633	1,915,707	552,194
COMPARISONS							
Net Levy Percent Change	-9.2%	3.3%	-3.1%	-13.6%	-10.6%	-33.5%	-40.3%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	74.2%	85.0%	78.7%	74.0%	37.8%	25.5%	
Gross Personal AV	19.0%	17.8%	0.3%	0.0%	35.4%	21.4%	-17.3%
Total Gross Assessed Value	55.9%	77.1%	77.7%	74.0%	36.7%	21.8%	-17.3%
Net Assessed Value	42.3%	62.6%	56.4%	42.4%	35.0%	-1.0%	-17.3%
Gross Levy	4.8%	23.0%	13.8%	2.8%	-2.0%	-27.4%	-37.6%
Net Levy	-9.2%	3.3%	-3.1%	-13.6%	-10.6%	-33.5%	-40.3%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	3,289,390	6,237,531	2,948,141	89.6%			
State Homestead Cr. (Abstract)	638,901	566,295	-72,606	-11.4%			
Total State Credits (Abstract)	3,928,292	6,803,826	2,875,535	73.2%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Daviess County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net Tax	Net Tax			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	5,583,919	5,768,372	184,453	3.3%	28.6%	32.6%	3.9%
Residential	5,849,625	5,667,063	-182,562	-3.1%	30.0%	32.0%	2.0%
Commercial	4,252,233	3,800,633	-451,600	-10.6%	21.8%	21.5%	-0.3%
Industrial	2,881,425	1,915,707	-965,718	-33.5%	14.8%	10.8%	-4.0%
Utility	925,716	552,194	-373,522	-40.3%	4.7%	3.1%	-1.6%
Exempt	6,160	8,346	2,186	35.5%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	19,499,078	17,712,315	-1,786,763	-9.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	4,866,615	5,174,639	308,024	6.3%	25.0%	29.2%	4.3%
Residential	5,763,027	5,612,466	-150,561	-2.6%	29.6%	31.7%	2.1%
Commercial	2,382,089	2,017,706	-364,383	-15.3%	12.2%	11.4%	-0.8%
Industrial	613,251	439,051	-174,200	-28.4%	3.1%	2.5%	-0.7%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	6,160	8,346	2,186	35.5%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	13,631,142	13,252,208	-378,934	-2.8%	69.9%	74.8%	4.9%
Agricultural Homesteads	1,875,874	1,489,885	-385,989	-20.6%	9.6%	8.4%	-1.2%
Residential Homesteads	4,008,905	3,464,779	-544,126	-13.6%	20.6%	19.6%	-1.0%
Total Homesteads	5,884,779	4,954,664	-930,115	-15.8%	30.2%	28.0%	-2.2%
Non-Homestead Residential	1,754,122	2,147,687	393,565	22.4%	9.0%	12.1%	3.1%
Apartments (Over 4 Units)	208,721	232,005	23,284	11.2%	1.1%	1.3%	0.2%
<u>Personal Property Only</u>							
Agricultural	717,304	593,733	-123,571	-17.2%	3.7%	3.4%	-0.3%
Residential	86,598	54,597	-32,001	-37.0%	0.4%	0.3%	-0.1%
Commercial	1,870,144	1,782,927	-87,217	-4.7%	9.6%	10.1%	0.5%
Industrial	2,268,174	1,476,655	-791,519	-34.9%	11.6%	8.3%	-3.3%
Utility	925,716	552,194	-373,522	-40.3%	4.7%	3.1%	-1.6%
Total	5,867,936	4,460,106	-1,407,830	-24.0%	30.1%	25.2%	-4.9%
Total Depreciables	3,980,454	3,015,135	-965,319	-24.3%	20.4%	17.0%	-3.4%
Total Inventory	1,800,884	1,390,374	-410,510	-22.8%	9.2%	7.8%	-1.4%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,990,740	3,684,754	694,014	23.2%	15.3%	20.8%	5.5%
Ag Personal	717,304	593,733	-123,571	-17.2%	3.7%	3.4%	-0.3%
Total Ag Business	3,708,044	4,278,487	570,443	15.4%	19.0%	24.2%	5.1%
Ag Homesteads	1,875,874	1,489,885	-385,989	-20.6%	9.6%	8.4%	-1.2%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Daviess County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net AV	Net AV			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	252,820,531	411,025,212	158,204,681	62.6%	32.9%	37.5%	4.7%
Residential	222,320,743	347,759,614	125,438,871	56.4%	28.9%	31.7%	2.9%
Commercial	142,058,093	191,821,102	49,763,009	35.0%	18.5%	17.5%	-1.0%
Industrial	114,637,169	113,447,729	-1,189,440	-1.0%	14.9%	10.4%	-4.5%
Utility	37,457,830	30,963,490	-6,494,340	-17.3%	4.9%	2.8%	-2.0%
Exempt	190,350	403,340	212,990	111.9%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	769,484,716	1,095,420,487	325,935,771	42.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	221,209,121	373,798,272	152,589,151	69.0%	28.7%	34.1%	5.4%
Residential	218,987,243	344,407,624	125,420,381	57.3%	28.5%	31.4%	3.0%
Commercial	77,458,666	104,237,691	26,779,025	34.6%	10.1%	9.5%	-0.6%
Industrial	20,402,951	23,081,120	2,678,169	13.1%	2.7%	2.1%	-0.5%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	190,350	403,340	212,990	111.9%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	538,248,331	845,928,047	307,679,716	57.2%	69.9%	77.2%	7.3%
Agricultural Homesteads	88,827,997	111,140,477	22,312,480	25.1%	11.5%	10.1%	-1.4%
Residential Homesteads	157,397,271	224,187,757	66,790,486	42.4%	20.5%	20.5%	0.0%
Total Homesteads	246,225,268	335,328,234	89,102,966	36.2%	32.0%	30.6%	-1.4%
Non-Homestead Residential	61,589,972	120,219,867	58,629,895	95.2%	8.0%	11.0%	3.0%
Apartments (Over 4 Units)	6,069,675	10,668,066	4,598,391	75.8%	0.8%	1.0%	0.2%
<u>Personal Property Only</u>							
Agricultural	31,611,410	37,226,940	5,615,530	17.8%	4.1%	3.4%	-0.7%
Residential	3,333,500	3,351,990	18,490	0.6%	0.4%	0.3%	-0.1%
Commercial	64,599,427	87,583,411	22,983,984	35.6%	8.4%	8.0%	-0.4%
Industrial	94,234,218	90,366,609	-3,867,609	-4.1%	12.2%	8.2%	-4.0%
Utility	37,457,830	30,963,490	-6,494,340	-17.3%	4.9%	2.8%	-2.0%
Total	231,236,385	249,492,440	18,256,055	7.9%	30.1%	22.8%	-7.3%
Total Depreciables	164,225,620	176,584,206	12,358,586	7.5%	21.3%	16.1%	-5.2%
Total Inventory	63,677,266	69,556,244	5,878,978	9.2%	8.3%	6.3%	-1.9%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	132,381,124	262,657,794	130,276,670	98.4%	17.2%	24.0%	6.8%
Ag Personal	31,611,410	37,226,940	5,615,530	17.8%	4.1%	3.4%	-0.7%
Total Ag Business	163,992,534	299,884,734	135,892,200	82.9%	21.3%	27.4%	6.1%
Ag Homesteads	88,827,997	111,140,477	22,312,480	25.1%	11.5%	10.1%	-1.4%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

** "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Daviess County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	94%	62%	0%	-5%
Comparable Residential Real Prop.	81%	49%	-7%	-11%
Comparable Homesteads	80%	33%	-19%	-23%

Distribution of Net Tax Changes on Comparable Residential Property

% Change	2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over 300%	201	2.2%	91	1.7%	190	2.1%	84	1.5%
200% to 300%	131	1.4%	56	1.0%	114	1.3%	52	1.0%
100% to 200%	749	8.3%	142	2.6%	618	6.8%	135	2.5%
50% to 100%	609	6.7%	218	4.0%	628	6.9%	187	3.4%
25% to 50%	727	8.0%	264	4.8%	639	7.0%	228	4.2%
10% to 25%	750	8.3%	302	5.5%	658	7.3%	237	4.3%
5% to 10%	304	3.4%	147	2.7%	250	2.8%	107	2.0%
0 to 5%	654	7.2%	275	5.0%	615	6.8%	237	4.3%
0 to -5%	374	4.1%	209	3.8%	345	3.8%	185	3.4%
-5% to -10%	470	5.2%	292	5.4%	397	4.4%	233	4.3%
-10% to -25%	1,547	17.1%	1,184	21.7%	1,604	17.7%	1,112	20.4%
-25% to -50%	2,049	22.6%	1,868	34.3%	2,406	26.5%	2,156	39.6%
Below -50%	499	5.5%	402	7.4%	600	6.6%	497	9.1%
	9,064	100.0%	5,450	100.0%	9,064	100.0%	5,450	100.0%
Parcels With Increases	4,125	45.5%	1,495	27.4%	3,712	41.0%	1,267	23.2%
Parcels With Reductions	4,939	54.5%	3,955	72.6%	5,352	59.0%	4,183	76.8%
Average \$ Change		-\$40		-\$139		-\$67		-\$169
Average % Change		-6.6%		-18.9%		-11.1%		-23.0%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.