

Property Tax Payments, 2002-2003 - Vermillion 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.

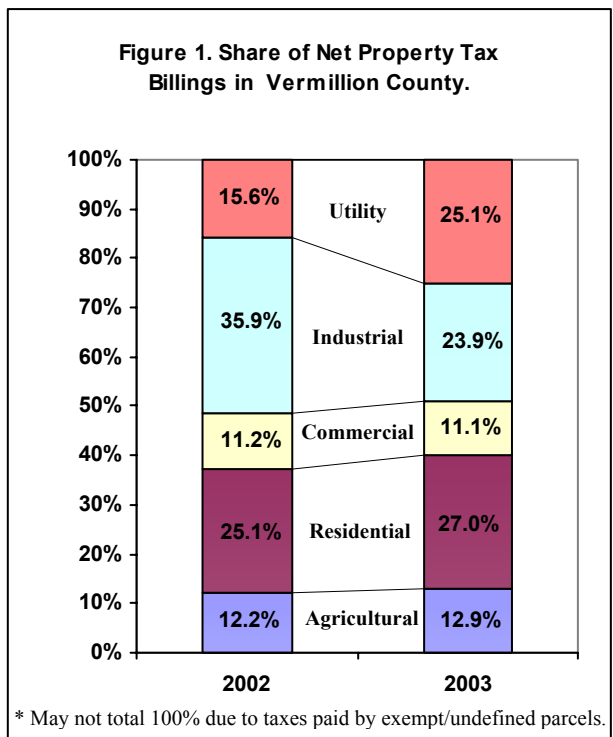
State Tax Credits Increased in Vermillion County from \$2.9 Million in 2002 to \$5.5 Million in 2003.

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 Vermillion County, state tax credits

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	84.1%	76.4%	6.5%
Residential (All)	97.9%	68.7%	8.7%
Homestead Only	93.1%	50.9%	-3.8%
Commercial	52.7%	52.3%	-0.2%
Industrial	8.4%	-3.0%	-32.7%
Utility	-2.9%	160.7%	63.1%
Avg. All Classes	35.4%	55.9%	1.0%

increased from \$2.9 million to \$5.5 million, an increase of \$2.7 million. This paper provides a brief summary of how these factors changed property tax liabilities in Vermillion County.

Tax Shifts. Vermillion County saw a property tax shift from industrial and commercial to utility, residential, and agricultural property owners. Tax bills paid by residential, utility, and agricultural property owners increased, while tax bills paid by commercial and industrial property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of industrial and commercial property. Gross assessed values of agricultural and residential property nearly doubled. Commercial assessments rose by half, and industrial assessments rose



much less. Utility gross assessments fell, but net assessments rose substantially. The large increase in net AV for utilities is due to a reduction in a property tax abatement. 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 Vermillion County saw their tax bills decrease by a small amount while the average residential property increased. 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 much more than for homestead property. 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 Vermillion County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners saw decreases rather than increases.

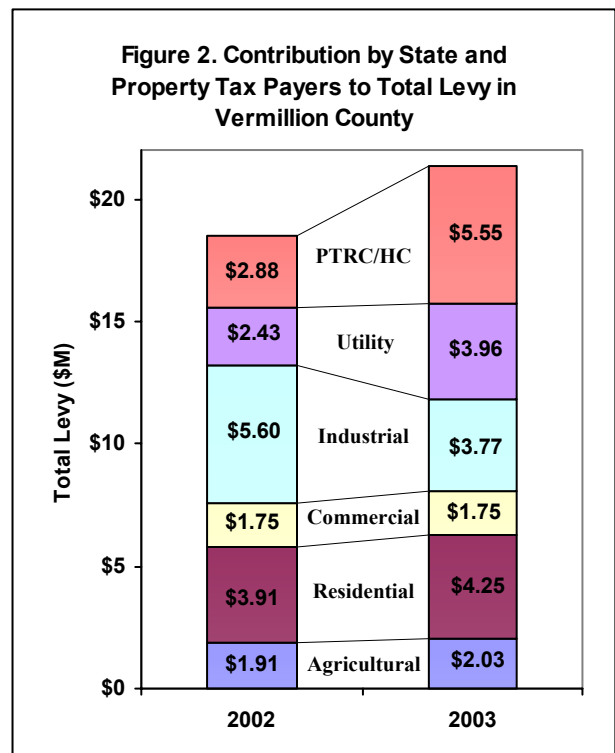
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	66.9%	47.7%	62.9%	43.0%
Decreased	33.1%	52.3%	37.1%	57.0%
Increased 100% or More	20.7%	9.8%	19.0%	8.8%
Decreased 25% or More	14.2%	22.7%	17.0%	27.0%
Average Change (\$)	\$42	-\$35	\$19	-\$61
Average Change (%)	9.3%	-5.8%	4.2%	-10.2%

* 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, more than half of all residential property owners would have seen tax increases, and less than half would have seen tax decreases. For homesteads, more than half would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of more homeowners than they increased.

Agriculture. Taxes on agricultural property in Vermillion County rose. Overall, agricultural business taxes rose, while agricultural homestead taxes declined. The net assessed value on non-homestead agricultural real property almost 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 smaller amount.



Business. Taxes on commercial and industrial property fell in Vermillion County because assessed values rose less than residential, utility, 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 commercial and industrial assessments less. Added to this was the elimination of utility personal property abatements. The general rise in assessed values in Vermillion County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like commercial and industrial 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 Vermillion County by PTRC and state homestead credit payments increased by approximately 93%, from \$2.9 million to \$5.5 million.

Table 3 shows estimates of how Vermillion 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 particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Vermillion County residential property taxes still increased on average. However, taxes on homesteads decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than 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 and industrial 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	23.2%	6.5%	-16.8%
Residential (All)	53.7%	8.7%	-45.0%
Homestead Only	59.8%	-3.8%	-63.6%
Commercial	4.6%	-0.2%	-4.8%
Industrial	-26.8%	-32.7%	-6.0%
Utility	61.6%	63.1%	1.5%

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.

Vermillion 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	345,228,998	74,157,174	184,307,698	145,678,543	37,321,989	49,442,137	0
Real Deductions	44,274,153	3,055,540	39,573,679	39,573,679	973,951	670,983	0
Real Net Assessed Value	300,954,845	71,101,634	144,734,019	106,104,864	36,348,038	48,771,154	0
Personal Gross Assd. Value	479,694,238	5,884,420	1,723,390	0	21,432,832	181,933,080	268,720,516
Personal Deductions	176,421,760	0	7,800	0	1,361,440	3,184,760	171,867,760
Personal Net Assd. Value	303,272,478	5,884,420	1,715,590	0	20,071,392	178,748,320	96,852,756
Total Gross Assessed Value	824,923,236	80,041,594	186,031,088	145,678,543	58,754,821	231,375,217	268,720,516
Total Deductions	220,695,913	3,055,540	39,581,479	39,573,679	2,335,391	3,855,743	171,867,760
Total Net Assessed Value	604,227,323	76,986,054	146,449,609	106,104,864	56,419,430	227,519,474	96,852,756
Gross Levy	18,473,931	2,249,559	4,900,929	3,537,657	2,034,416	6,467,265	2,821,761
PTRC (Calculated)	2,520,568	307,163	670,312	482,960	283,581	866,684	392,828
State/County Homestead Cr. (Calculated)	350,055	33,626	316,429	316,429	0	0	0
Net Levy	15,603,308	1,908,771	3,914,188	2,738,268	1,750,836	5,600,581	2,428,933
Pay 2003							
Real Gross Assessed Value	630,524,820	140,997,304	366,411,185	281,234,503	59,269,067	63,847,264	0
Real Deductions	135,754,608	11,562,608	121,078,538	121,078,538	1,931,158	1,182,304	0
Real Net Assessed Value	494,770,212	129,434,696	245,332,647	160,155,965	57,337,909	62,664,960	0
Personal Gross Assd. Value	486,470,575	6,349,335	1,699,905	0	30,473,356	186,914,414	261,033,565
Personal Deductions	39,235,041	0	3,900	0	1,871,860	28,796,134	8,563,147
Personal Net Assd. Value	447,235,534	6,349,335	1,696,005	0	28,601,496	158,118,280	252,470,418
Total Gross Assessed Value	1,116,995,395	147,346,639	368,111,090	281,234,503	89,742,423	250,761,678	261,033,565
Total Deductions	174,989,649	11,562,608	121,082,438	121,078,538	3,803,018	29,978,438	8,563,147
Total Net Assessed Value	942,005,746	135,784,031	247,028,652	160,155,965	85,939,405	220,783,240	252,470,418
Gross Levy	21,302,554	2,886,816	6,285,660	4,046,026	2,297,919	4,885,168	4,946,991
PTRC (Calculated)	5,229,655	827,224	1,748,794	1,128,585	551,269	1,117,913	984,455
State/County Homestead Cr. (Calculated)	309,685	27,501	282,184	282,184	0	0	0
Net Levy	15,763,214	2,032,091	4,254,682	2,635,257	1,746,650	3,767,256	3,962,536
COMPARISONS							
Net Levy Percent Change	1.0%	6.5%	8.7%	-3.8%	-0.2%	-32.7%	63.1%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	82.6%	90.1%	98.8%	93.1%	58.8%	29.1%	
Gross Personal AV	1.4%	7.9%	-1.4%	0.0%	42.2%	2.7%	-2.9%
Total Gross Assessed Value	35.4%	84.1%	97.9%	93.1%	52.7%	8.4%	-2.9%
Net Assessed Value	55.9%	76.4%	68.7%	50.9%	52.3%	-3.0%	160.7%
Gross Levy	15.3%	28.3%	28.3%	14.4%	13.0%	-24.5%	75.3%
Net Levy	1.0%	6.5%	8.7%	-3.8%	-0.2%	-32.7%	63.1%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	2,525,983	5,237,672	2,711,689	107.4%			
State Homestead Cr. (Abstract)	353,235	309,270	-43,966	-12.4%			
Total State Credits (Abstract)	2,879,218	5,546,941	2,667,723	92.7%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Vermillion 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	1,908,771	2,032,091	123,320	6.5%	12.2%	12.9%	0.7%
Residential	3,914,188	4,254,682	340,494	8.7%	25.1%	27.0%	1.9%
Commercial	1,750,836	1,746,650	-4,186	-0.2%	11.2%	11.1%	-0.1%
Industrial	5,600,581	3,767,256	-1,833,325	-32.7%	35.9%	23.9%	-12.0%
Utility	2,428,933	3,962,536	1,533,603	63.1%	15.6%	25.1%	9.6%
Exempt	1,147	814	-333	-29.0%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	15,604,456	15,764,029	159,573	1.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	1,759,626	1,921,467	161,841	9.2%	11.3%	12.2%	0.9%
Residential	3,866,710	4,225,281	358,571	9.3%	24.8%	26.8%	2.0%
Commercial	1,141,118	1,141,991	873	0.1%	7.3%	7.2%	-0.1%
Industrial	1,208,524	950,779	-257,745	-21.3%	7.7%	6.0%	-1.7%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	1,147	814	-333	-29.0%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	7,977,125	8,240,332	263,207	3.3%	51.1%	52.3%	1.2%
Agricultural Homesteads	458,018	427,753	-30,265	-6.6%	2.9%	2.7%	-0.2%
Residential Homesteads	2,738,268	2,635,257	-103,011	-3.8%	17.5%	16.7%	-0.8%
Total Homesteads	3,196,286	3,063,010	-133,276	-4.2%	20.5%	19.4%	-1.1%
Non-Homestead Residential	1,128,441	1,590,024	461,583	40.9%	7.2%	10.1%	2.9%
Apartments (Over 4 Units)	160,813	196,148	35,335	22.0%	1.0%	1.2%	0.2%
<u>Personal Property Only</u>							
Agricultural	149,144	110,624	-38,520	-25.8%	1.0%	0.7%	-0.3%
Residential	47,478	29,400	-18,078	-38.1%	0.3%	0.2%	-0.1%
Commercial	609,718	604,658	-5,060	-0.8%	3.9%	3.8%	-0.1%
Industrial	4,392,057	2,816,477	-1,575,580	-35.9%	28.1%	17.9%	-10.3%
Utility	2,428,933	3,962,536	1,533,603	63.1%	15.6%	25.1%	9.6%
Total	7,627,330	7,523,695	-103,635	-1.4%	48.9%	47.7%	-1.2%
Total Depreciables	6,451,613	6,229,356	-222,257	-3.4%	41.3%	39.5%	-1.8%
Total Inventory	1,128,238	1,264,940	136,702	12.1%	7.2%	8.0%	0.8%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,301,608	1,493,713	192,105	14.8%	8.3%	9.5%	1.1%
Ag Personal	149,144	110,624	-38,520	-25.8%	1.0%	0.7%	-0.3%
Total Ag Business	1,450,752	1,604,337	153,585	10.6%	9.3%	10.2%	0.9%
Ag Homesteads	458,018	427,753	-30,265	-6.6%	2.9%	2.7%	-0.2%

* "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**
Vermillion 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	76,986,054	135,784,031	58,797,977	76.4%	12.7%	14.4%	1.7%
Residential	146,449,609	247,028,652	100,579,043	68.7%	24.2%	26.2%	2.0%
Commercial	56,419,430	85,939,405	29,519,975	52.3%	9.3%	9.1%	-0.2%
Industrial	227,519,474	220,783,240	-6,736,234	-3.0%	37.7%	23.4%	-14.2%
Utility	96,852,756	252,470,418	155,617,662	160.7%	16.0%	26.8%	10.8%
Exempt	34,755	48,220	13,465	38.7%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	604,262,078	942,053,966	337,791,888	55.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	71,101,634	129,434,696	58,333,062	82.0%	11.8%	13.7%	2.0%
Residential	144,734,019	245,332,647	100,598,628	69.5%	24.0%	26.0%	2.1%
Commercial	36,348,038	57,337,909	20,989,871	57.7%	6.0%	6.1%	0.1%
Industrial	48,771,154	62,664,960	13,893,806	28.5%	8.1%	6.7%	-1.4%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	34,755	48,220	13,465	38.7%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	300,989,600	494,818,432	193,828,832	64.4%	49.8%	52.5%	2.7%
Agricultural Homesteads	19,177,311	30,113,439	10,936,128	57.0%	3.2%	3.2%	0.0%
Residential Homesteads	106,104,864	160,155,965	54,051,101	50.9%	17.6%	17.0%	-0.6%
Total Homesteads	125,282,175	190,269,404	64,987,229	51.9%	20.7%	20.2%	-0.5%
Non-Homestead Residential	38,629,156	85,176,682	46,547,526	120.5%	6.4%	9.0%	2.6%
Apartments (Over 4 Units)	4,685,207	8,806,144	4,120,937	88.0%	0.8%	0.9%	0.2%
<u>Personal Property Only</u>							
Agricultural	5,884,420	6,349,335	464,915	7.9%	1.0%	0.7%	-0.3%
Residential	1,715,590	1,696,005	-19,585	-1.1%	0.3%	0.2%	-0.1%
Commercial	20,071,392	28,601,496	8,530,104	42.5%	3.3%	3.0%	-0.3%
Industrial	178,748,320	158,118,280	-20,630,040	-11.5%	29.6%	16.8%	-12.8%
Utility	96,852,756	252,470,418	155,617,662	160.7%	16.0%	26.8%	10.8%
Total	303,272,478	447,235,534	143,963,056	47.5%	50.2%	47.5%	-2.7%
Total Depreciables	258,986,276	378,933,128	119,946,852	46.3%	42.9%	40.2%	-2.6%
Total Inventory	42,570,612	66,606,401	24,035,789	56.5%	7.0%	7.1%	0.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	51,924,323	99,321,257	47,396,934	91.3%	8.6%	10.5%	2.0%
Ag Personal	5,884,420	6,349,335	464,915	7.9%	1.0%	0.7%	-0.3%
Total Ag Business	57,808,743	105,670,592	47,861,849	82.8%	9.6%	11.2%	1.7%
Ag Homesteads	19,177,311	30,113,439	10,936,128	57.0%	3.2%	3.2%	0.0%

* "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.

**Vermillion 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	107%	78%	14%	9%
Comparable Residential Real Prop.	98%	69%	9%	4%
Comparable Homesteads	95%	49%	-6%	-10%

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%	465	5.8%	158	3.6%	420	5.3%	152	3.4%
200% to 300%	295	3.7%	64	1.5%	281	3.5%	45	1.0%
100% to 200%	891	11.2%	208	4.7%	816	10.2%	196	4.4%
50% to 100%	973	12.2%	308	7.0%	889	11.1%	273	6.2%
25% to 50%	1,097	13.7%	429	9.7%	967	12.1%	364	8.3%
10% to 25%	720	9.0%	411	9.3%	761	9.5%	377	8.5%
5% to 10%	254	3.2%	169	3.8%	264	3.3%	167	3.8%
0 to 5%	644	8.1%	357	8.1%	620	7.8%	321	7.3%
0 to -5%	295	3.7%	238	5.4%	320	4.0%	226	5.1%
-5% to -10%	336	4.2%	274	6.2%	317	4.0%	253	5.7%
-10% to -25%	881	11.0%	794	18.0%	969	12.1%	843	19.1%
-25% to -50%	876	11.0%	811	18.4%	1,038	13.0%	945	21.4%
Below -50%	254	3.2%	190	4.3%	319	4.0%	249	5.6%
	7,981	100.0%	4,411	100.0%	7,981	100.0%	4,411	100.0%
Parcels With Increases	5,339	66.9%	2,104	47.7%	5,018	62.9%	1,895	43.0%
Parcels With Reductions	2,642	33.1%	2,307	52.3%	2,963	37.1%	2,516	57.0%
Average \$ Change		\$42		-\$35		\$19		-\$61
Average % Change		9.3%		-5.8%		4.2%		-10.2%

"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