State Senator
LAWRENCE M.
BORST

Indiana State Senate
200 West Washington Street
Indianapolis, Indiana 46204

DECEMBER 2003 NEWSLETTER

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Highlights of Senate Bill 1:

- Allows counties to waive penalties assessed for late payment of property taxes
- Allows taxpayers to pay their property taxes in installments
- Extends the filing deadline for existing property tax deductions and exemptions
- Requires approval from elected officials of significant property tax increases by non-elected boards, such as libraries.
- Streamlines the property tax appeal process to make it easier for taxpayers
- Requires assessors to use most favorable assessment method for rental properties
- Repeals local governments' ability to raise and spend excess levies and requiring any excess funds to be used to reduce future levies

ALL IN A DAY'S WORK: Senator Borst, pictured at left, responds to a question from a constituent concerning the I-69 route through Perry Township at a town meeting on October 29. This and other topics relating to the Indiana General Assembly were discussed.

State Senator
LAWRENCE M.
BORST
District 36

(317)232-9400 www.in.gov/S36

December Session Update

An editorial in *The Indianapolis Star* aptly described the results of the recent three-week extended session of the Indiana General Assembly. They wrote, 'Lawmakers did what they could, avoided what they should, then got out of town. That's a pretty good formula for any session."

The fact is, there never should have been such a lengthy session in the first place. The timing was wrong and the necessary information was not available; however, the Speaker of the House, Pat Bauer, demanded that it occur. Some of the media described the happenings "as purely political and for the benefit of one House member." In the end, there was a positive outcome, but the accomplishments that did happen could have waited to be addressed for the session that is scheduled for January 2004. The deserved issues were aired in public, but the added expense of keeping the legislators in Indianapolis did not justify the extra three weeks.

Earlier in the month, a special one-day session was convened for the purpose of installing Kathy Davis as the new lieutenant governor and swearing her in as the president of the Indiana State Senate. The vacancy was the result of the death of Governor Frank O'Bannon and the ascendancy of Lieutenant Governor Joe Kernan to that position. Speaker Bauer had originally planned to conduct full-blown hearings at that time, but was dissuaded by Senate President Pro Tempore Robert Garton.

Some of the fiscal statements emanating from the majority caucus in the House regarding a $600 million tax break were pure wishful thinking.

The session that convened on November 18th was not a special session. By law, the Indiana General Assembly must come together on a certain day each November. That day is regarded as "Organization Day," and

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Research legislation on the General Assembly's Internet web site at www.in.gov/legislative. Click on the link to "Bills and Resolutions," then type in the bill number or search by topic.

Q & A: Property Reassessment

Q: Why is property assessed?

A: Property is assessed to determine its value for tax purposes. After total assessed value for all property in a taxing district (for example a library, township, school, sanitation district, etc.) is determined, a tax rate is established for each district. The assessed value for each property is multiplied by the tax rate to determine how much property tax each person pays.

Q: Why is property re-assessed?

A: Property values change over time. Reassessment helps insure that tax bills reflect changes in property values so taxes are spread fairly among all property owners.

Q: How do we use property taxes?

A: Property taxes are used by local government and schools to pay teachers, build schools and other buildings, for parks, police and fire protection, libraries, poor relief and other municipal and school functions. State government receives less than one tenth of a percent of all property taxes collected.

Indiana General Assembly Session Update

SESSION

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normally it is. We convene, swear in new state Senators, and inform the governor that the legislature is in business. We usually honor a few people by resolution and go home for the holidays to get ready to come back the first week of January.

This first day of the session allows the legislators to begin introducing bills and allows leadership to assign these bills to appropriate committees. Committees are allowed to meet and conduct public testimony through that period between November and January, but rarely do. The holiday season makes it difficult to obtain a quorum to conduct business, and more importantly, the public is not very interested in attending meetings during this time period. I tried to conduct formal Senate Finance hearings years ago when the law was changed and the legislature began yearly sessions, but I had to give up on the idea because only a few chose to attend.

Before this first session day, Speaker Bauer declared that the Ways and Means Committee would hold public hearings around the state on current statewide issues of reassessment and property taxation. The Senate also held informal hearings, with the various Senate Finance Committee members arranging for such meetings within their respective districts. I had a meeting in Perry Township, Senator Pat Miller held four meetings in Franklin and Warren Townships, and others held meetings in Logansport, Connersville, Lake County and Fort Wayne.

The question that was asked and never answered: "Where is the money going to come from to pay for new exemptions and roll-backs?"

Once session began in November, the House introduced House Bill 1001, while the Senate offered Senate Bill 1. The content of the introduced legislative versions were similar except that the House bill offered several new property tax exemptions for old homes and small farms. The House bill would have also "rolled-back" some of the budgets of local government. While these are laudable suggestions, the question that was asked and never answered was, "Where is the money going to come from to pay for new exemptions and roll-backs?" Since the question was never answered, the answer to me was obvious: taxes on the other taxpayers would need to be raised in order to benefit a select few. As others in my caucus and I stated, we would support legislation that would make the reassessment and property taxation issues fair and equitable. However, I also maintained that we had not come to session with the idea of raising property taxes further.

Property taxes should not increase as much in the near future because school and local government budgets will not escalate as fast due to the control features of Senate Bill 1.

I have no problem with revising the various exemptions now on the books. I have no problem with extending new exemptions or increasing the dollar amount of present exemptions if that is what it takes to make the system more fair. But, since only about half of the counties in the state of Indiana have even completed their reassessment procedures, I do have a problem with wholesale changes when we lack complete information. Lake and Allen counties are two of the largest counties in the state and will not send out their final tax bills for 2003 until February or March. It is possible that a considered determination of reassessment revision cannot be undertaken until the 2005 session.

SB 1 was the eventual survivor of the two bills and was favored by Governor Kernan, who has signed it into law. SB 1 was geared to clamp down on governmental entities and control any attempt for excessive spending by closing several loopholes.

Some of the fiscal statements emanating from the majority caucus in the House regarding a $600 million tax break were pure wishful thinking. Their pronouncements of "saving" the taxpayer amounted to pure baloney. Property taxes will probably not actually drop but they should not increase as much in the near future because local school and local government budgets will not escalate as fast due to the control features of SB 1.

Taxpayers that had not applied for exemptions were given a grace period in order to lower their taxes next year. Counties were authorized to waive penalties for late payment of taxes due and are also allowed to arrange for installment payments. The bill allows homeowners who don't pay property taxes this year because of delays in reassessment to claim their 2003 property tax deductions on 2004 income tax returns. SB 1 requires assessors to assign the lowest possible assessed values to rental properties (including mobile homes) for taxes due in 2006 and beyond.

The final bill prevents local governments from inflating tax rates to protect school and local government budgets, by ensuring there is money available for refunds to taxpayers who win appeals. County treasurers also are mandated to inform the taxpayer that the 2002 General Assembly provided an additional $1 billion of property tax relief. As a result of SB 1, it will now be easier for taxpayers to sit down with their township assessor and discuss their assessment and tax bill. It will also be easier for taxpayers to remonstrate against proposed bonding issues for new construction for either schools or local government.

SB 1 was a compromise, as are solutions for any controversial and comprehensive issue. This is not the final say on assessments and property taxes.

As we all know, this reassessment was court-ordered by the Indiana Supreme Court. The court mandated assessments to be conducted using "market value" procedures.

The legislature did not make the rules regarding reassessment. The O'Bannon administration set the wheels in motion four years ago. I did not agree with the process then. I spoke out at two different public hearings that announced the proposed new rules and regulations and the governor enacted them anyway. I knew then that the proposed rules would create the confusion that is apparent in some sections of the state today. The results were not perfect, but Perry, Pleasant and White River Townships certainly did not have the turmoil that ruled the day in Center and Washington Townships.

The state of Indiana does not benefit in any way with the imposition of the property tax (the taxes are collected to fund the public schools and local government.) This sometimes makes me

This is not the final say on assessments and property taxes.

wonder why the legislature becomes involved. The total elimination of property tax to fund government may be an idea worth pursuing. Perhaps local and school government should fund their budgets by other means than a tax on property.

At the present time, the Indiana state budget provides for over $3.5 billion of property tax relief for its taxpayers. Studies were authorized by the passage of SB 1 to report to the legislature on how to bring about the elimination of the tax on real property.

Normally, the December update would dwell on predictions of what might happen in the 2004 session. The upcoming session will be a so-called "short" session meaning that by law, the session must be finished by the first week of March. Predictably, assessments and property taxes will once again be in the forefront. Much of the same issues you have heard the last three weeks will once again appear.

Revenue income to the state, specifically how much, will be uppermost in the legislators' minds. I rather doubt that we will be presented with a new state budget. I am most hopeful that with the recent improvement in the economy, revenue will be sufficient to fund the existing budget for the 18 months left in this budgetary cycle.

I expect that Governor Kernan will exhibit more leadership for the state than has been experienced during the last several years. I also rather doubt that he will have an extended agenda of new programs. The "short session" should be one in which only emergencies and fiscal shortfalls are addressed.

The next session day will be January 6, 2004. Once again, if we may be of help, please call me or my assistant, Judith, at the Statehouse at 232-9517 or e-mail me at S36@in.gov

STATE REVENUE UPDATE

Revenue numbers in November exceeded the forecast in most tax categories. A breakdown by tax is shown in the chart below:

	Total Collected	Forecasted	Difference
Sales Tax	$365.8 million	$381.2 million	- $15.4 million
Ind. Income Tax	$289.4 million	$254.1 million	$35.3 million
Corp. Income Tax	$9.3 million	$7.6 million	$1.7 million
Other taxes	$72.2 million	$81.9 million	-$9.7 million