



Department of Local Government Finance

Perspectives on Assessed Valuations During the COVID Pandemic

June 1, 2022
ICLEF Presentation



Welcome

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- Barry Wood, Director of Assessment: MBA, Level 3 Assessor-Appraiser
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Global, U.S. and Indiana Housing and Property Markets During the COVID Pandemic

- International Landscape – Real Estate Values During COVID and Impacts to It
- Where does Indiana fit in?
- Are Trends in Indiana Generally Consistent with the U.S.?



Let's go Global— International Housing Markets

- International Monetary Fund Data
 - “Housing Prices Continue to Soar in Many Countries Around the World” “Through the Roof” (October 18, 2021 IMF Headlines)



International Monetary Fund Data



GLOBAL REAL HOUSE PRICE INDEX



SOURCE: Bank for International Settlements and World Economic Outlook

[IMF.org/housing](https://www.imf.org/housing)

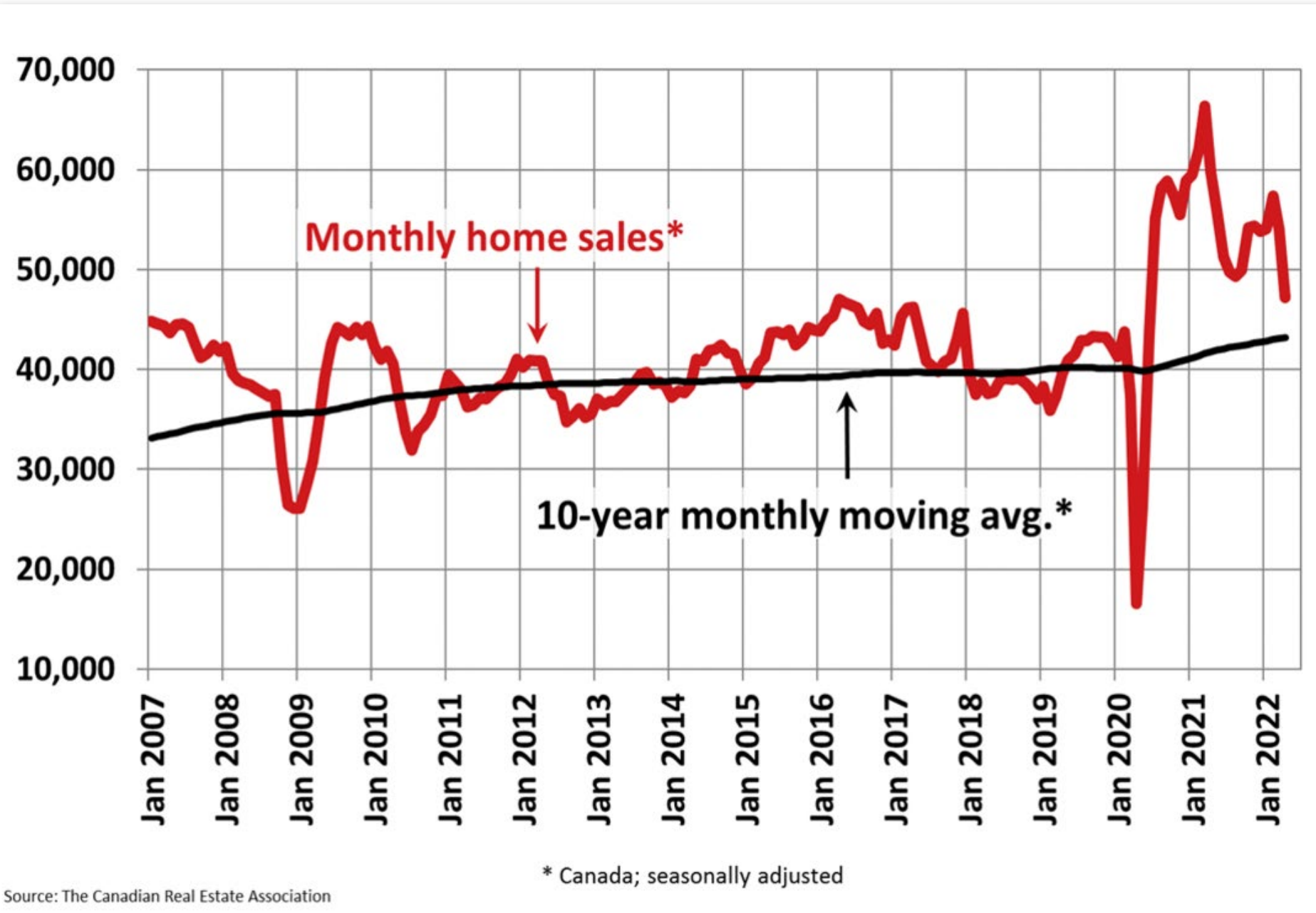
#HousingWatch



Low Central Bank Interest Rates Globally

- Low Interest Rates— Central Banks: (EU Central Bank—Negative .5% in September 2019)
- United States Federal Reserve: 0% in 2020.
- Canadian Central Bank (Just raised from .25 in March 2022 to 1% in May 2022) (US Federal Reserve-May 2022-Increase to .9%)
- [One of the Hottest Housing Markets in Canada Turns into Buyers' Market – Bloomberg](#) (May 20, 2022)

Chart A

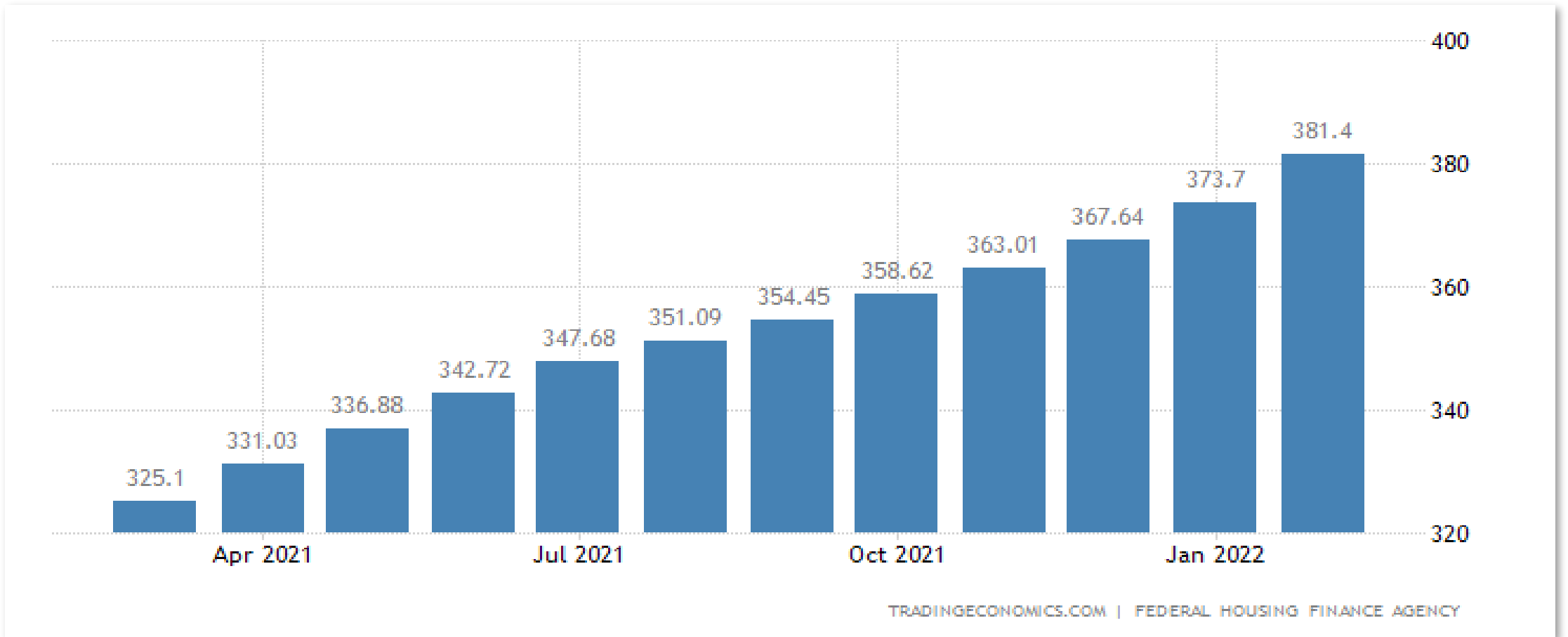


* Canada; seasonally adjusted

Source: The Canadian Real Estate Association

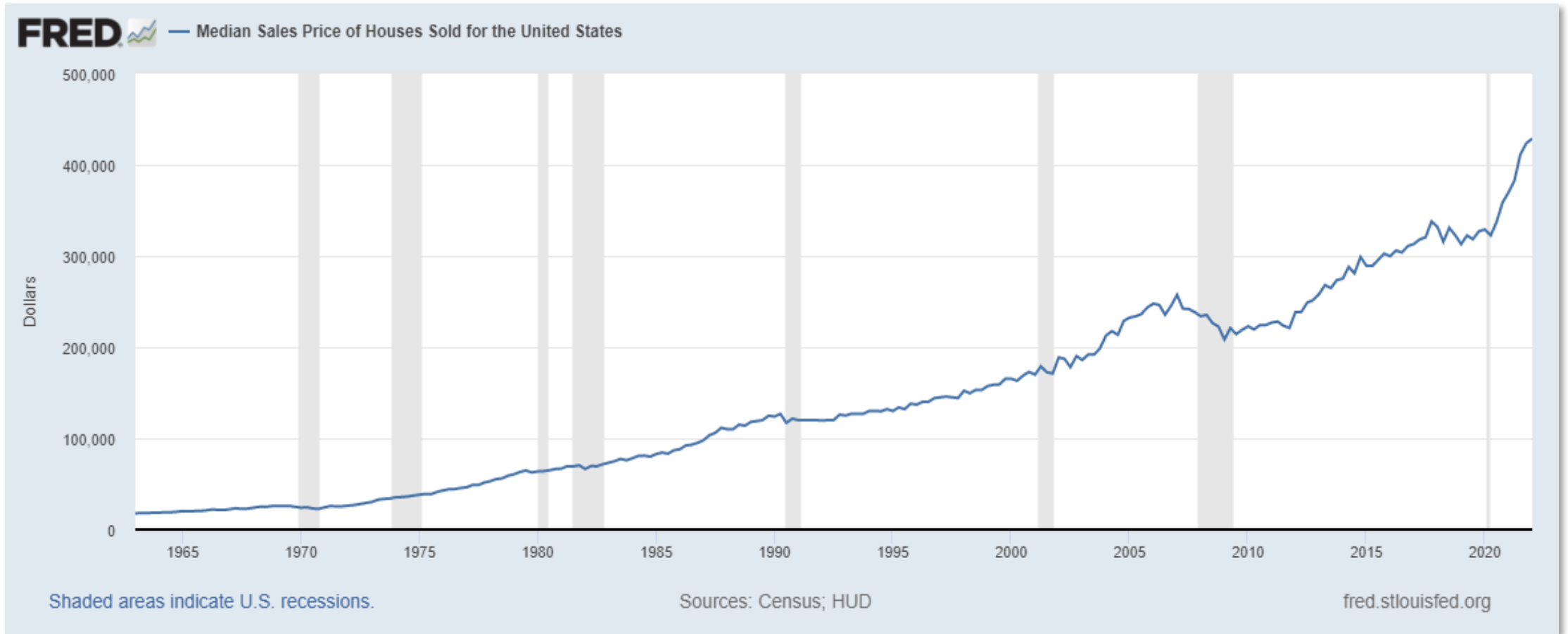


U.S. Housing Market-Federal Housing Finance Agency Data





US Housing Market Prices (HUD & Fed Reserve)





Additional Factors During COVID

- Population Needs Shifted: Remote Work: (Home Offices, Changing Wants and Needs of Buyers)
- Remote Work Anywhere-Including Small Towns and Locations too Far to Travel Daily.



Additional Factors During COVID

- Possible Obsolescence Claims—Business Interruption and Empty Office Space/Other.
- Looking Ahead: Climate Change Impacts & Property Insurance/HUD Insurance? Trends?



Indiana—Dramatic Increases in Assessed Values during COVID

- What do the Spring 2022 Ratio Studies Reflect?
- Overall: Indiana Increase in all real estate assessed values—15.4% Increase.



Dramatic Increases by Property Type

- Overall Statewide Commercial Property Increased: 11.2%.
- Overall Statewide Industrial Real Property Increased: 17.1%.
- Overall Residential Industrial Real Property Increased: 16.4%.



Marion County—Assessed Values Increased

- Overall AV: Increased 16.9%.
- Commercial (Improvements): AV Increased 12.3%.
- Industrial (Improvements): AV Increased 15.4%.
- Residential (Improvements): AV Increased 18.9%.



Hamilton County Assessed Values Increased

- Overall Increases: 15.8%.
- Commercial (Improvements): 8.8%.
- Industrial (Improvements): 9.5%.
- Residential (Improvements): 17.4%.



Small and Medium-Sized Counties— Improved Residential Property Increases

- Greene Co. (South): 9.8% Overall Increase.
- Adams Co. (North): 9.9% Overall Increase.
- Dearborn Co. (South): 7.9% Overall Increase.
- Morgan Co. (Central): 25.2% Overall Increase.



Form 137R – Disaster Petitions

- House Enrolled Act 1271
 - Clarifies that petitions for reassessment of partially or totally destroyed property (Form 137R) must related to property that has been physically destroyed.
 - In other words, HEA 1271 clarified that Form 137R petitions should not be filed for properties that have only been economically impacted.

SEC. 6 – Effective January 1, 2020



Prior Year Appeals Filed with PTABOA – Large Counties

2018 Appeals Filed	
Allen County	1,998
Hamilton County	1,129
LaPorte County	3,160
Marion County	7,887
St. Joseph County	5,808

2020 Appeals Filed		
Allen County	1,861	6.8% ↓
Hamilton County	1,322	17.1% ↑
LaPorte County	1,971	37.6% ↓
Marion County	5,908	25.1% ↓
St. Joseph County	6,209	6.9% ↑



Prior Year Appeals Filed with PTABOA – Small Counties

2018 Appeals Filed	
Adams County	66
Benton County	54
Greene County	468
Martin County	26
Vermillion County	39

2020 Appeals Filed		
Adams County	18	72.7% ↓
Benton County	38	29.6% ↓
Greene County	34	92.7% ↓
Martin County	18	30.8% ↓
Vermillion County	262	571.8% ↑



PTABOA Hearings Held – Large Counties

2018 PTABOA Hearings	
Allen County	90
Hamilton County	166
LaPorte County	75
Marion County	976
St. Joseph County	637

2020 PTABOA Hearings		
Allen County	96	6.7% ↑
Hamilton County	123	25.9% ↓
LaPorte County	90	20.0% ↑
Marion County	427	56.3% ↓
St. Joseph County	212	66.7% ↓



PTABOA Hearings Held – Small Counties

2018 PTABOA Hearings	
Adams County	0
Benton County	14
Greene County	119
Martin County	19
Vermillion County	9

2020 PTABOA Hearings		
Adams County	0	0%
Benton County	7	50.0% ↓
Greene County	3	97.5% ↓
Martin County	4	78.9% ↓
Vermillion County	57	533.3% ↑



Appeals Resolved Informally – Large Counties

2018 Informal Resolutions	
Allen County	1,520
Hamilton County	558
LaPorte County	2,183
Marion County	10,158
St. Joseph County	2,631

2020 Informal Resolutions		
Allen County	1,691	11.3% ↑
Hamilton County	705	26.3% ↑
LaPorte County	991	54.6% ↓
Marion County	5,238	48.4% ↓
St. Joseph County	3,154	19.9% ↑



Appeals Resolved Informally – Small Counties

2018 Informal Resolutions	
Adams County	42
Benton County	40
Greene County	349
Martin County	2
Vermillion County	3

2020 Informal Resolutions		
Adams County	21	50.0% ↓
Benton County	31	22.5% ↓
Greene County	31	91.1% ↓
Martin County	0	100% ↓
Vermillion County	130	4,233.3% ↑



Appeal Observations

- Total Number of Appeals Filed 2018: 42,184*
- Total Number of Appeals Filed 2020: 38,436*
 - Although the total number of appeals declined from 2018 to 2020, not all counties had a decline in the number of PTABOA hearings held during the pandemic.
 - Larger counties had an increase in the number of appeals that were resolved informally during the pandemic.

** Figure includes 91 counties, as one county did not submit report in 2020.*



Higher Assessments

- Although the appeal numbers decreased from 2018 to 2020, some counties are sharing anecdotally that they are already experiencing a much higher appeal rate.
- Impact to the System? (180 Days at PTABOA by statute)
- Currently Most Appeals are Resolved at the Local Level (with the Assessor or PTABOA).



Budget Perspective

- To what extent, if any, did the COVID pandemic impact the following?
 - Property tax levies
 - Circuit breaker credits
 - Property tax distributions
 - Local income tax



Budget Perspective

- Throughout the pandemic, local governments were expected to continue their regular activities.
- Changes to local governments as a response to the pandemic were mostly administrative. Examples:
 - Public meetings held virtually.
 - Occasional and periodic government office closures.



Budget Perspective

- Local decisions with respect to taxes.
 - City health departments – City of Fishers
 - Fewer property tax referenda once pandemic started.
 - 2020 “May” primaries: 18.
 - 2020 November general: 5.
 - All of 2021: 3 (coincides with legislative changes.)
 - 2022 May primaries: 9.



Budget Perspective

- Statewide executive orders to extend deadlines:
 - Establishing cumulative funds (& their tax rates.)
 - Creating fire protection territories (& their tax levies.)
 - Filing property tax exemptions.
 - Extending income tax deadlines.



Budget Perspective

- Statewide executive orders to extend deadlines (cont.):
 - EO 20-05: Waived penalties for late payments of property taxes not paid through an escrow account until July 10, 2020.
 - First installment was still due May 10.
 - EO 20-31: Distribution of local income tax (LIT) revenue to local units within a county was adjusted for 2021 and 2022.
 - In 2021: Based on collections in a 14-month period (July '19 to August '20).
 - In 2022: Based on collections in a 10-month period (September '20 to June '21).



Tax Levies

- Generally, tax levies are held to a statutory maximum – the “maximum levy.” The maximum is allowed to grow annually based on non-farm personal income.
 - This is the Maximum Levy Growth Quotient.
 - This applies statewide.
 - Ind. Code §§ 6-1.1-18.5-2, 3.
 - Numerous exceptions, mainly having to do with capital expenses & debt.



Tax Levies

- Ind. Code § 6-1.1-17-16
 - The DLGF certifies the levy to ensure it is at or below the maximum allowable levy, accounting for levy adjustments.
 - Calculating the tax rate creates a mathematical “control” on the levy (and in turn, the budget).

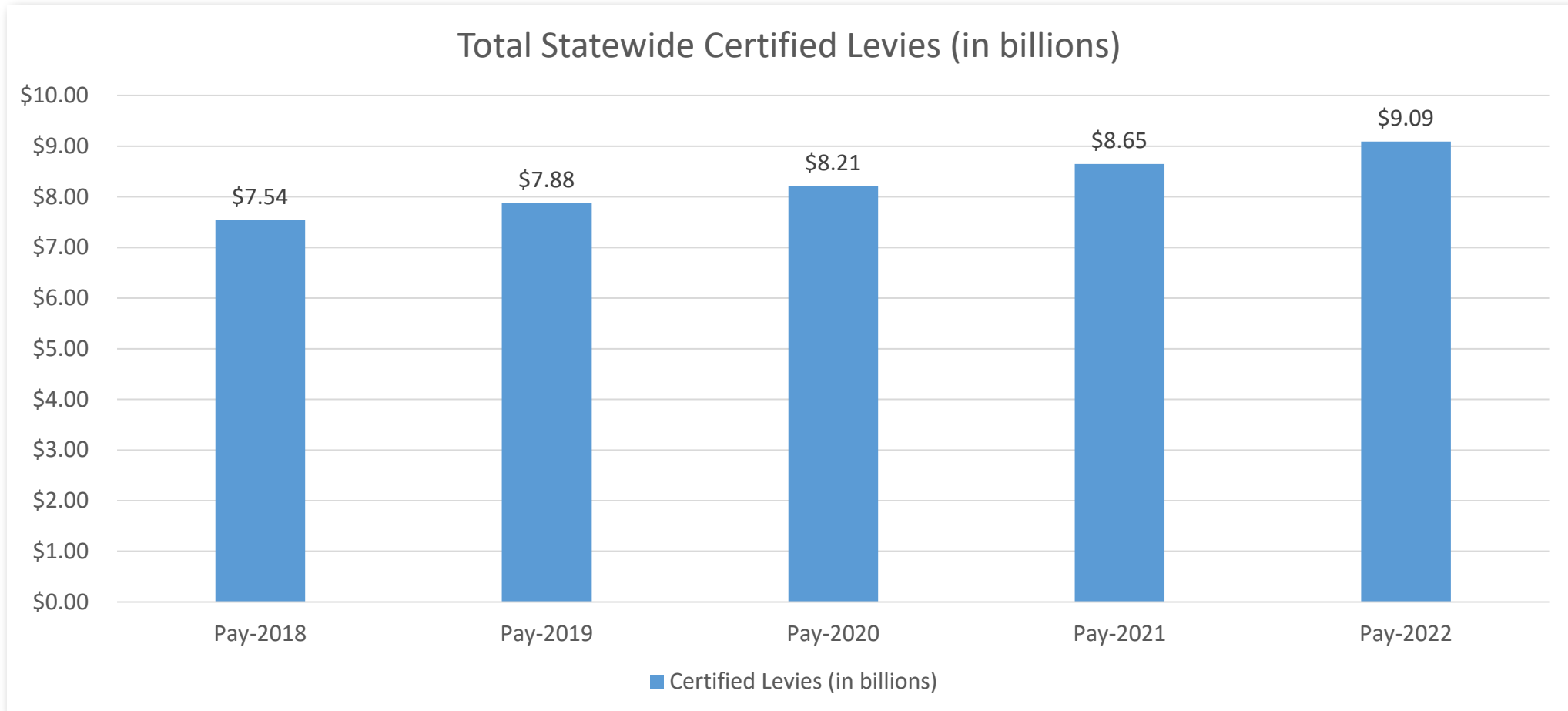


Tax Levies

- As the nature of work changed, will there be a change in income levels statewide?
 - No immediate impact on the MLGQ because pre-2020 years would offset.
 - Levies would be expected to grow by the MLGQ.
 - Impact on tax rates & on circuit breaker.
 - More immediate impact in local income taxes.

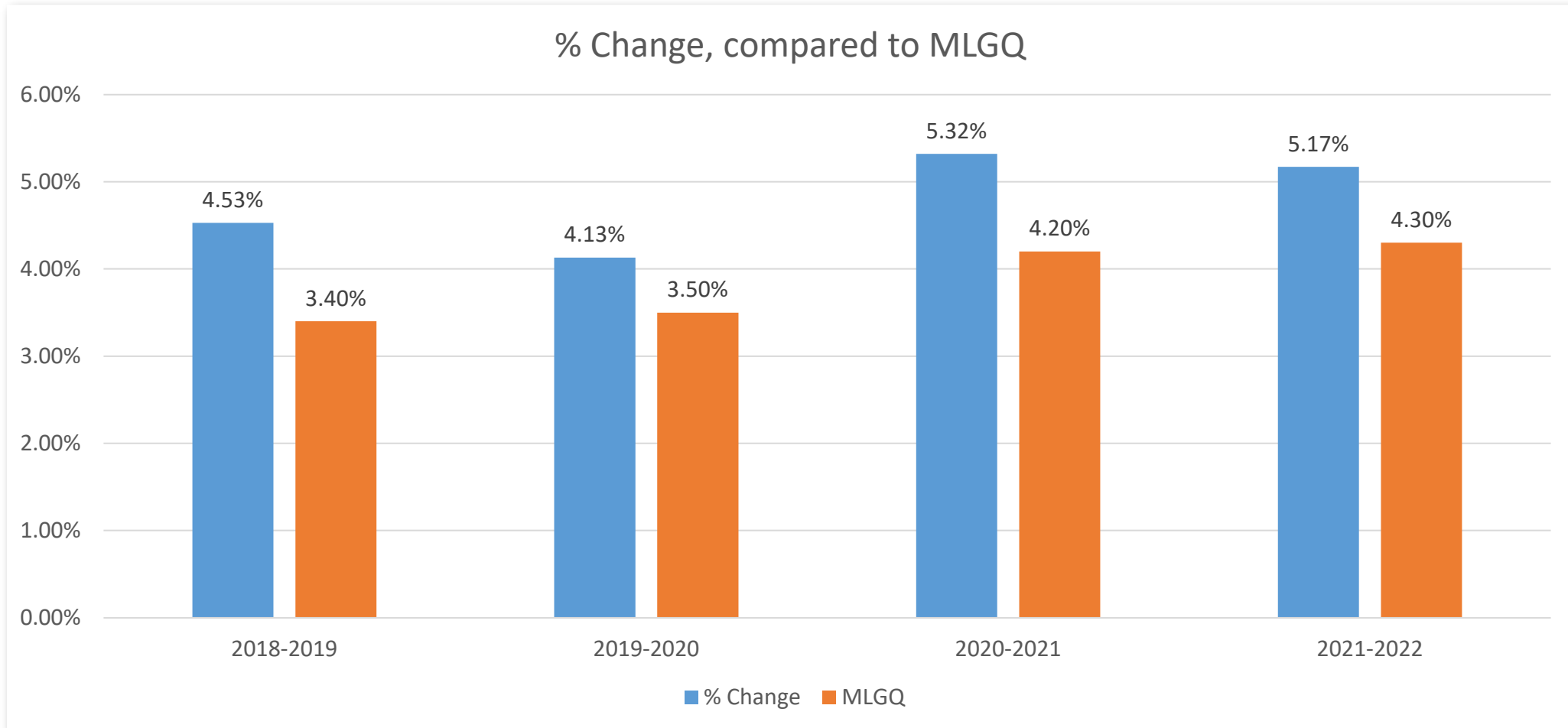


Certified Levies





Certified Levies





Circuit Breaker Impact

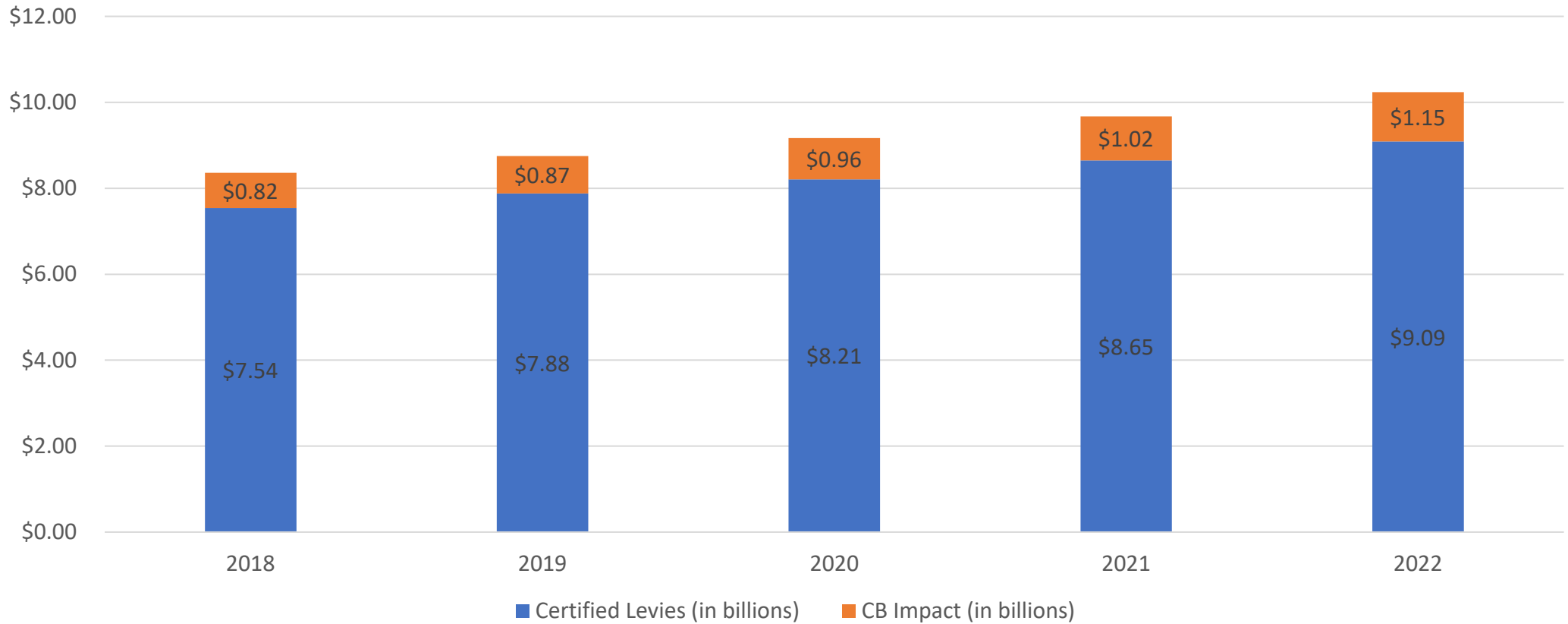
- Note that CB credits & its share of the certified levy will vary from unit to unit.
- As assessed values increase, CB credits will likely be a smaller proportion of the 2022 certified levies.
- CB credits are based on assessed values from previous year. E.g., CB credits for 2019 are derived from the January 1, 2018 assessment date, etc.

Year	Statewide Actual CB Credits	% of Cert Levy
2018	\$817,308,305	10.84%
2019	\$869,857,707	11.03%
2020	\$964,833,362	11.75%
2021	\$1,016,599,236	11.76%
2022	\$1,147,206,990	12.61%



Certified Levies

Total Statewide Certified Levies (in billions)





Form 22 Data

- Ind. Code § 6-1.1-27
- Semi-annual reporting of audit of collections by county treasurer.
 - Property tax
 - License excise tax
 - Commercial vehicle excise tax
 - Financial institution tax
 - Examination of public record fees
 - Not LIT
- Following settlement, submission to Auditor of State & approval, the county auditor then makes the distributions to local units. Occurs in June and December.



Form 22 Data

- Slight decrease in distribution in 2020 from past years and compared to 2021. Roughly 1%.
- Distributions affected by
 - Circuit breaker
 - Unpaid taxes

Year	Property Tax Distributed	% of Certified Levy
Pay-2018	\$6,640,562,868	88.04%
Pay-2019	\$6,957,446,295	88.24%
Pay-2020	\$7,133,996,675	86.89%
Pay-2021	\$7,611,242,006	88.02%



Form 22 Data

- June distributions tend to be higher because some taxpayers pay their taxes all at once in the May installment.
- In 2019 and 2021, distributions were higher in June than in December.
- In 2020, the collection was about even both periods.

Year	June	December	% Split
Pay-2019	\$3,897,062,818	\$3,060,383,477	~56/44
Pay-2020	\$3,553,476,152	\$3,580,520,523	~49.8/50.2
Pay-2021	\$4,323,608,739	\$3,287,633,267	~56.8/43.2



Form 22 Data

- Because the first distribution in a year is in June, units have to operate for the first half of the year on cash reserves built up from the previous year. The June distribution would then make that up.
- In a way, the budget year is really 18 months long.
- A smaller than anticipated June distribution could lead to cash flow problems.
 - Depleting cash reserves.
 - Temporary loans or advances from the county, which are then credited against later distributions.
 - Anticipation warrants or loans from the Bond Bank, etc., which often are paid back with interest.



Form 22 Data

- Focusing on 2020:
 1. 2020 Circuit Breaker Impact was \$964,833,362. The total uncollected property tax was \$1,094,835,967.
 2. Excluding circuit breaker credits, a net of \$130,002,605 was uncollected in 2020. Compare:
 - 2019: \$57,059,363 uncollected
 - 2021: \$19,648,675 uncollected
 3. Possibly offset from delinquencies, incl. penalties & interest.



Form 22 Data

- Reasons for the \$130 million uncollected taxes?
- Reasons for the 50/50 split in 2020?
 - All 92 counties reported the June distribution by early July 2020.
 - E0 20-05 waived penalties on May installment payments made before July 10, 2020.



Local Income Tax

- Ind. Code 6-3.6
- Collected during a fiscal year, distributed in the next full calendar year.
 - Not all units receive LIT.
- For example, LIT collected in FY19 (July '18 to July '19) was distributed in 2020 according to the share of certified levies in a county for 2018-pay-2019.



Local Income Tax

- Ind. Code 6-3.6
- Generally, how much each LIT revenue that unit eligible receives is based on
 - The adopted LIT rate.
 - Whether revenue generated by portions of that rate are dedicated to various purposes.
 - E.g., PSAP, jail construction, “3(a)(2) distribution.”
 - The proportion of the unit’s certified levies to that in the county for the calendar year before the year the LIT is distributed.
 - Levies for debts issued after June 2005 excluded.



Local Income Tax

- EO 20-31 changed the distribution basis to LIT collected over a 14-month period for 2021, 10 months for 2022.
- 2021 distribution was based on LIT collected from July 2019 to September 2020.
- Assumes even distribution in all months of the calendar year.

Year LIT Distributed	Total	Difference in Totals	Monthly Distributions	Difference in Monthly Distributions
2018	\$2,444,462,863	N/A	N/A	N/A
2019	\$2,625,724,461	\$181,261,598	\$218,810,372	\$15,105,133
2020	\$2,831,182,586	\$205,458,125	\$235,931,882	\$17,121,510
2021	\$3,008,524,145	\$177,341,559	\$250,710,345	\$14,778,463
2022	\$2,981,798,346	(\$26,725,799)	\$248,483,196	(\$2,227,150)



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Questions and Comments?