



# Department of Local Government Finance

## Land Orders

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# Disclaimer

- This presentation and other Department of Local Government Finance materials are not a substitute for the law. The following is not legal advice, just an informative presentation. The Indiana Code always governs.



# Land Orders

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# Definitions

## **IC 6-1.1-4-4.2 County reassessment plan; approval by department of local government finance**

- Sec. 4.2. (a) The county assessor of each county shall, before July 1, 2013, and before May 1 of every fourth year thereafter, prepare and submit to the department of local government finance a reassessment plan for the county. The following apply to a reassessment plan prepared and submitted under this section:
  - (1) The reassessment plan is subject to approval by the department of local government finance. The department of local government finance shall complete its review and approval of the reassessment plan before:
    - (A) March 1, 2015; and
    - (B) January 1 of each subsequent year that follows a year in which the reassessment plan is submitted by the county.
  - (2) The department of local government finance shall determine the classes of real property to be used for purposes of this section.



# Definitions

- 3) Except as provided in subsection (b), the reassessment plan must divide all parcels of real property in the county into four (4) different groups of parcels. Each group of parcels must contain approximately twenty-five percent (25%) of the parcels within each class of real property in the county.
- 4) Except as provided in subsection (b), all real property in each group of parcels shall be reassessed under the county's reassessment plan once during each four (4) year cycle.
- 5) The reassessment of a group of parcels in a particular class of real property shall begin on May 1 of a year.
- 6) The reassessment of parcels:
  - (A) must include a physical inspection of each parcel of real property in the group of parcels that is being reassessed; and
  - (B) shall be completed on or before January 1 of the year after the year in which the reassessment of the group of parcels begins.



# Definitions

- 7) For real property included in a group of parcels that is reassessed, the reassessment is the basis for taxes payable in the year following the year in which the reassessment is to be completed.
- 8) The reassessment plan must specify the dates by which the assessor must submit land values under section 13.6 of this chapter to the county property tax assessment board of appeals.
- 9) The department may not approve the reassessment plan until the assessor provides verification that the land values determination under section 13.6 of this chapter has been completed.
- 10) Subject to review and approval by the department of local government finance, the county assessor may modify the reassessment plan.



# Definitions

(b) A county may submit a reassessment plan that provides for reassessing more than twenty-five percent (25%) of all parcels of real property in the county in a particular year. A plan may provide that all parcels are to be reassessed in one (1) year. However, a plan must cover a four (4) year period. All real property in each group of parcels shall be reassessed under the county's reassessment plan once during each reassessment cycle.



# Definitions

## IC 6-1.1-4-13.6 Determination and review of land values

Sec. 13.6. (a) The county assessor shall determine the values of all classes of commercial, industrial, and residential land (including farm homesites) in the county using guidelines determined by the department of local government finance. The assessor determining the values of land shall submit the values and any supporting document to the county property tax assessment board of appeals and the department of local government finance by the dates specified in the county's reassessment plan under section 4.2 of this chapter.





# Definitions

(b) If the county assessor fails to determine land values under subsection (a) before the deadlines in the county's reassessment plan under section 4.2 of this chapter, the county property tax assessment board of appeals shall determine the values. If the county property tax assessment board of appeals fails to determine the values before the land values become effective, the department of local government finance shall determine the values.

(c) The county assessor shall notify all township assessors in the county (if any) of the values. Assessing officials shall use the values determined under this section.

(d) A petition for the review of the land values determined by a county assessor under this section may be filed with the department of local government finance not later than forty-five (45) days after the county assessor makes the determination of the land values. The petition must be signed by at least the lesser of:

- (1) one hundred (100) property owners in the county; or
- (2) five percent (5%) of the property owners in the county.



# Definitions

(e) Upon receipt of a petition for review under subsection (d), the department of local government finance:

- (1) shall review the land values determined by the county assessor; and
- (2) after a public hearing, shall:
  - (A) approve;
  - (B) modify; or
  - (C) disapprove; the land values.



# Definitions

## **50 IAC 27-5-7 Review of land values**

Authority: IC 6-1.1-4-4.5; IC 6-1.1-31-1; IC 6-1.1-31-12

Affected: IC 6-1.1-4-4.5

Sec. 7. (a) The county assessor shall review land values as part of the annual adjustment process.

(b) If the county assessor determines through review, ratio studies, or assessment appeals from previous assessment years that the land base rate units need to be modified, the county assessor shall proceed to set new land base rates. The sales comparison approach is the primary approach to land valuation and is always preferred when sufficient sales are available.



# Definitions

If there are fewer than five (5) sales in a strata, there are several methods of determining land values in the absence of adequate sales in a neighborhood, including, but not limited to, the following:

- (1) Use land values from a similar neighborhood that has vacant land sales to support the land base rate.
- (2) Extract the land value from valid sales of improved properties.
- (3) Expand the period from which sales are drawn and adjust for time as necessary.



# Definitions

## Real Property Manual – Chapter 2:

- Role of the Assessing Official:
- The assessing official shall determine the value of all classes of residential land, commercial land, industrial land, and agricultural homesite within his or her jurisdiction. The established value of this land represents the January 1 market value of improved land.



# Definitions

## Representative Parcels:

- The assessing official must select a representative number of sales disclosure statements filed under IC 6-1.1-5.5 or written estimations of a property value provided by a licensed real estate professional that are based on relevant sales data to justify the land value determination for each neighborhood. All sales disclosure statements must be verified by:
  - (1) a visual inspection of the subject property; and
  - (2) a reasonable attempt to determine that the transaction was negotiated as an arm's-length transaction.



# Definitions

- For the purposes of this section, a “representative number” shall mean a number that is no less than three percent (3%) of the total number of parcels within the neighborhood established under the section headed “neighborhood.”
  - (1) a lesser percentage is truly representative of values in the neighborhood; or
  - (2) disclosure statements from a substantially similar neighborhood are truly representative of values in the neighborhood.
- Assessing officials should select disclosure statements or estimations of value that, based on all relevant facts and evaluation of the neighborhood as a whole, fairly represent the value of property in the neighborhood.



# Definitions

- Land Value Ratio:
- The assessing official must determine an appropriate land value ratio to be applied to sales disclosure statements or estimations of value of improved properties. This ratio must take into account factors that are critical to determination of the value of the land. The ratio and factors must be included as part of the land value determination. The factors should include, but not be limited to, such factors as:
  - (1) unimproved lot sale prices designated by property developers;
  - (2) the desirability due to physical features, such as waterfront property or wooded lots;
  - (3) the desirability of the location due to external features, such as school district or proximity to commercial developments; and
  - (4) consideration of the replacement cost of the improvement.





# Definitions

- Neighborhoods:
- All property within a jurisdiction must be established as part of a neighborhood defined by the assessing official. The assessing official shall define neighborhoods according to:
  - (1) common development characteristics;
  - (2) the average age of the majority of improvements;
  - (3) the size of lots or tracts;
  - (4) subdivision plats and zoning maps;



# Definitions

- 5) school and other taxing district boundaries;
- 6) distinctive geographic boundaries;
- 7) any manmade improvements that significantly disrupt the cohesion of adjacent properties;
- 8) sales statistics; and
- 9) other characteristics deemed appropriate to assure equitable determinations.



# Definitions

- Maps:
- All neighborhoods must be identified on easily read maps. The maps must be numerically organized, clearly delineate the neighborhood boundary, show the neighborhood established base rate and the code number. All neighborhoods shall be assigned a code number for identification. A copy of the maps shall be readily available for public inspection.



# Definitions

- All property record cards must give the:
  - (1) number of the map on which the neighborhood that includes the subject property is shown;
  - (2) neighborhood code number; and
  - (3) applicable base rate.



# Definitions

- Base Rates and Base Lots:
- The assessing official shall establish a base rate for pricing each neighborhood. Base rates should include a specifically stated value for water supply, sewage disposal, and all other on-site development costs. Neighborhoods shall be classified according to majority use as residential, agricultural homesite, commercial, or industrial. The assessing official shall also establish a base lot to represent the typical and average characteristics of lots in the neighborhood for the purpose of making pricing adjustments.



# Definitions

- Influence Factors:
- In addition to the provisions of this chapter, the assessing official shall establish detailed criteria relating to influence factors that may be applied to individual parcels. The criteria relating to influence factors shall include:
  - (1) criteria for identifying and determining the existence of unique features that are inconsistent with the norm for the neighborhood;
  - (2) specific conditions that will be considered as evidence that a parcel deserves an influence factor;
  - (3) a method for evaluating whether a particular condition actually influences the value of the parcel; and
  - (4) any factors, criteria, or conditions relating to influence factors that are promulgated in a rule by the Department.



# Definitions

- Evaluating Sales Information:
- When establishing land values throughout the jurisdiction, each assessing official shall evaluate sales information by using the sales comparison method, the abstraction method, or the allocation method.
- The sales comparison method is one of the most reliable methods of estimating land value. Under this method, the sale prices of similar properties are compared. The greater the number of sales, the more reliable the results. Sales prices might require adjustment to account for differences in the properties compared. Sale prices may be adjusted by a percentage or a specific dollar amount basis. The assessing official should research every market area and base adjustments on measurable market differences in properties.



# Definitions

- The abstraction method is used to determine the indicated value of residential land if the sample of vacant land sales is insufficient for a geographic area. This method of estimating land value is most reliable when a minimum amount of depreciation has occurred on the improvements. The value of land is determined by subtracting the depreciated value of the improvements from the sales price. The result indicates the contribution of the land value to the total sale.





# Definitions

- The allocation or percentage of sale method is used to determine the indicated value of land if the sample of sales for a neighborhood represents improved properties. This method of estimating land values depends on an analysis of the various neighborhoods to determine the percentage contribution of land to the total sale.



# Definitions

- Selecting Unit Values Used for Land Valuation:
- Unit values or base rates are units of measurement used in the assessment calculation process. The assessing official determines which of the following five types of unit values, described in the sections below, are appropriate for valuing the different types of land in the jurisdiction:
  - front foot value
  - square foot value
  - acreage value
  - site value
  - unit density



# Definitions

- Front Foot Value
- Front foot value is a whole dollar amount applied to the most desirable frontage of a parcel. For commercial property in a downtown area, front footage along the main street is of primary importance. For a residential parcel in a platted subdivision, front footage along the street is of primary importance. In both cases, the front foot method is appropriate because the front footage of the parcel has the greatest influence on the land's value. Front foot value is the appropriate method when the selling price of similar properties, divided by the amount of frontage is similar.



# Definitions

- Square Foot Value
- Square foot value is a value applied to each individual square foot of a parcel. The square foot method is used when the selling price divided by the area in square feet for similar properties is similar.



# Definitions

- Acreage Value
- The acreage value method is appropriate where a particular use requires a large amount of land. The most frequent uses of the acreage value method are for:
  - agricultural homesites
  - rural residential homesites
  - rural residential excess acreage
  - commercial and industrial land
  - irregularly shaped platted lots that are too cumbersome to size.



# Definitions

- Site Value
- The site value method is applied when characteristics peculiar to a particular parcel distort the value determined using other methods. This value distortion is normally attributed to the parcel's shape or size. The following example illustrates the use of the site value method.



# Definitions

- Unit Density
- Unit density is a value applied to the number of units which can be constructed on a site. It is used when the market indicates that a site is sold on a unit basis, such as an apartment property where the unit of comparison is sale price per buildable apartment.



# Legislative Changes

- Section 16 of HEA 1454 – 2023 amends Ind. Code § 6-1.1-4-13.6 to require county assessors determining land values to submit land orders, and to provide verification the land orders have been implemented, to the Department and the county property tax assessment board of appeals (“PTABOA”). Current law specifies that the assessor must submit completed land orders to the PTABOA; however, there was no requirement in statute that the completed land order be submitted to the Department. The legislation requires that the Assessor submit the land order to Department.





# Legislative Changes

- Additionally, the current statute also specifies that if the county assessor fails to complete a land order within the cyclical reassessment period, the PTABOA is required to complete the land order process. If the PTABOA fails to complete the land order process, the Department is required to complete a land order for the county. The additional required notice to the Department under Section 16 will ensure that the required determination of land values will take place during the cyclical reassessment period.



# Legislative Changes

- Section 14 of HEA 1454 amends Ind. Code § 6-1.1-4-4.2 by specifying the Department may not approve a county's cyclical reassessment plan before the county assessor provides verification that a land order (subject to Ind. Code § 6-1.1-4-13.6 requirements above) has been completed during the previous cyclical reassessment period.



# Best Practices

- The Land Order serves a couple of different purposes. First, it serves as a central repository of information so that anyone can see what the base land rates are in the jurisdiction, and how neighborhoods/areas are delineated.
- Although Indiana Code 6-1.1-4-13.6 (a) states that the assessor is to submit the values to the PTABOA, it does not specify what action the PTABOA is to take (presumably to review/approve, but the PTABOA could do nothing). Hence, the second purpose would be the review/oversight/equalization (if needed) by the PTABOA to ensure fair and equitable land values.



# Best Practices

- As part of the cyclical reassessment, the assessor is to complete the land order at least once during the four years. However, in the past couple of years, some assessors have decided to amend their reassessment plan to implement the land order for each year. Otherwise, they may adjust the base rates with the reassessment.
- Some counties will schedule their land order between years 2 and 3 so that if an issue arises preventing the land order from being implemented, they still have time to amend the cyclical plan and present a land order before the end of the four-year plan.



# Best Practices

- The PTABOA hearing to consider the Land Order does not have to be specifically advertised (as long as the PTABOA meeting is advertised in accordance with law; however, in order to be as transparent as possible, it probably should be made known that it will be presented. Having a copy available in your office and/or on your website would be the bare minimum.
- The Land Order should have an effective date (e.g., January 1, 202x).



# Best Practices

- If requested, you should be prepared to share the sales used for the Land Order; maps showing the neighborhood delineations; appraisals or letters of opinion (if any); information and notes related to the process for how the Land Order was finalized (i.e., date, time, location, methodology, etc.); and any other supporting documentation used in the Land Order process.
- If there are inadequate number of sales, the period from which sales are drawn may be expanded and adjusted for time, as necessary.



# Frequently Asked Questions

- *Question: What role does the DLGF have in the land order process?*
- **Answer:** The Department plays several roles related to property valuation and assessment. The primary role of the Department is an oversight role, whether it is through the review and approval of county's Cyclical Reassessment Plan, the review and approval of the sales ratio study, or with the new legislation ensuring the land order is completed before the next Cyclical Reassessment Plan can be approved.



# Frequently Asked Questions

- *Question: Can taxpayers challenge the Land Order?*
- Answer: Yes, per Indiana Code 6-1.1-4-13.6 (d) – see below, taxpayers may petition the Department.
- IC 6-1.1-4-13.6 Determination and review of land values
- Sec. 13.6. (a) The county assessor shall determine the values of all classes of commercial, industrial, and residential land (including farm homesites) in the county using guidelines determined by the department of local government finance. The assessor determining the values of land shall submit the values to the county property tax assessment board of appeals by the dates specified in the county's reassessment plan under section 4.2 of this chapter.





# Frequently Asked Questions

(b) If the county assessor fails to determine land values under subsection (a) before the deadlines in the county's reassessment plan under section 4.2 of this chapter, the county property tax assessment board of appeals shall determine the values. If the county property tax assessment board of appeals fails to determine the values before the land values become effective, the department of local government finance shall determine the values.

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- (1) one hundred (100) property owners in the county; or
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# Frequently Asked Questions

(e) Upon receipt of a petition for review under subsection (d), the department of local government finance:

- (A) shall review the land values determined by the county assessor; and
- (B) after a public hearing, shall:
  - (1) approve;
  - (2) modify; or
  - (3) disapprove; the land values.

As added by P.L.24-1986, SEC.9. Amended by P.L.74-1987, SEC.2; P.L.41-1993, SEC.5; P.L.6-1997, SEC.15; P.L.90-2002, SEC.37; P.L.146-2008, SEC.68; P.L.136-2009, SEC.3; P.L.113-2010, SEC.16; P.L.112-2012, SEC.10.



# Frequently Asked Questions

- In 2022, there was a Lake County Land Order Hearing:
- The Department received a petition from taxpayers in Lake County regarding their Land Order. A public hearing was held in August 2022 (see <https://www.in.gov/dlgf/understanding-your-tax-bill/dlgf-public-hearings/>).
- The Department issued a determination (see <https://www.in.gov/dlgf/files/221123-Lake-County-Land-Order-Review-Final-Determination-LO22-01.pdf>) finding that Lake County properly adopted the 2022 Lake County Land Order and that taxpayers submitted no evidence to demonstrate that the Department should modify or disapprove the order.



# Frequently Asked Questions

- The Department also received a request for a review/hearing of the St. Joseph County Land Order in 2022. However, a hearing was not held because the petitioner was past the deadline to petition to request a review of it and fell short of the signatures required.
- Although the Department did not conduct a hearing, we did review the land order and found that the land order was done correctly.



# Frequently Asked Questions

- *Question: Does the PTABOA have to approve the land order?*
- Answer: There is no statutory requirement for the PTABOA to approve the land order. The Assessor must merely submit it to the PTABOA. Since local control would prevail, some PTABOA's may formally adopt/approve the land order, while others may not take any action.



# Frequently Asked Questions

- *Question: Should we adopt a land order every year?*
- **Answer:** The only statutory requirement is that the land order must be completed at least once during the four-year cyclical reassessment. Hence, it would be a local control decision.



Questions?



# Land Orders

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