STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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TO: **County Auditors and Redevelopment Commissions**

FROM: **Josh Jacoboski, Information Systems Division Director**

RE: **Pay 2025 TIF Neutralization Worksheet**

DATE: **July 10, 2024**

Each year, the county auditor is responsible for submitting the Tax Increment Finance ("TIF") Neutralization Worksheets ("Worksheet") for each allocation area in the county. The neutralization process must be completed before a county may certify their assessed values to the Department of Local Government Finance ("Department"). **For 2024 pay 2025, the CNAV application will not be available to a county until the TIF Neutralization reports are filed and approved by the Department.** This memorandum provides instructions on how to complete the Worksheet via the new TIF Neutralization Application ("Application") housed in Gateway. The Application will appear within its own column on the far right side within the Main Menu of the TIF Management Application. A user guide is available here.

Procedures for TIF Neutralization

The preparation of the Worksheets cannot occur until the county auditor has received the gross assessed values from the county assessor and applied the appropriate deductions and exemptions. The county auditor will prepare or have prepared a Worksheet for each allocation area with real property assessed value in the county.

Personal property assessed value should not be included in the calculation of TIF Neutralization. Additionally, allocation areas that only contain personal property assessed value do not require a Worksheet to be completed.

After receipt of the Worksheets from a county, the Department will review the submitted Worksheets within the Application and will work with the county auditor and/or the Worksheet preparer to address any questions. Once all questions have been addressed, the Department's Commissioner will sign the Worksheets to approve the calculation. The approved Worksheets will then be made available within the Application and posted on the Department's website.

The county auditor will apply the base neutralization factor calculated on each Worksheet to the allocation area within the county's tax and billing system. Questions about this process should be addressed to the county's tax and billing software vendor.

After the application of the base neutralization factors, the county auditor can complete the process of calculating net assessed values and certify these values to the Department through Gateway.

Detailed Information on the TIF Neutralization Worksheet

The following section provides a line-by-line guide on how to complete the Worksheet.

County -

County number and name (Example: 01 – Adams).

Jurisdiction -

Name of county, city, or town which established the redevelopment commission or authority with oversight over the identified allocation area.

Allocation Area Code -

Each TIF district in the county should have a unique code assigned by the county auditor. This code should begin with the letter T, followed by the two-digit county number, followed by a three-digit number created by the county auditor to uniquely identify the allocation area within the county.

Each TIF district should have only one code. This means that TIF districts should neither be broken out by taxing district nor should expansions of an existing TIF district be provided a separate code. The TIF district should be neutralized and reported in its entirety.

Allocation Area Name -

The official name of the TIF District.

Form Prepared By -

The lines in this section should be completed with the information of a contact person the Department can contact if it has any questions about the Worksheet. If a financial advisor has completed the Worksheet, it is appropriate to place the financial advisor's contact information on these lines.

Line 1: 2023 Pay 2024 Base Assessed Value of Allocation Area -

The most recent base assessed value for the allocation area from the current tax year. The base assessed value is the amount of assessed value from the parcels included in the allocation area that was included in the tax base for the overlapping taxing units (county, township, city/town, school, library, and special districts). This should be the value after the Pay 2023 neutralization factor was applied and should also include any adjustments that occurred from assessed value certification to tax billing for Pay 2023. This could include, but is not limited to, any adjustments due to appeals or filing of deduction forms since certification.

TIF pass-through, if any existed, should not be included in the calculation of the base assessed value.

Line 2: 2023 Pay 2024 Incremental Assessed Value of Allocation Area -

The most recent incremental assessed value for the allocation area from the current tax year. The incremental assessed value is the amount of assessed value from the parcels

included in the allocation area that was eligible to be captured by the redevelopment commission. This should be the value after the Pay 2023 neutralization factor was applied and should also include any adjustments that occurred from assessed value certification to tax billing for Pay 2023. This could include, but is not limited to, any adjustments due to appeals or filing of deduction forms since certification.

TIF pass-through, if any existed, should be included in the calculation of incremental assessed value.

Line 3: 2023 Pay 2024 Net Assessed Value of Allocation Area -

This is a calculated field. It is the sum of Lines 1 and 2.

Line 4: 2024 Pay 2025 Net Assessed Value of Allocation Area -

The most current net assessed value available for the allocation area. This value should include any adjustments to the net assessed value due to annual adjustment or reassessment. It should also include the application of any deductions and exemptions.

Line 5: 2024 Pay 2025 Net Assessed Value Growth in Allocation Area Due to New Construction or a Change in Tax Status -

In order to isolate the effect of annual adjustment or reassessment on the net assessed values, changes in assessed value associated with actual construction must be removed from consideration. The Worksheet preparer should identify new construction that has occurred in the allocation area since January 1, 2024. Possible sources for this information would include, but are not limited to, local officials, building permits, and property record cards. Additionally, the Worksheet preparer should identify parcels that have experienced a change in property tax status, such as tax-exempt to taxable or a change in land use that would impact assessed values.

Line 6: 2024 Pay 2025 Net Assessed Value Decrease in Allocation Area Due to Demolition or a Change in Tax Status -

In order to isolate the effect of annual adjustment or reassessment on the net assessed values, changes in assessed value associated with demolition must be added back into the allocation area net assessed value to determine what the allocation area net assessed value would have been had the demolition not occurred. The Worksheet preparer should identify demolition that has occurred in the allocation area since January 1, 2024. Possible sources for this information would include, but are not limited to, local officials, building permits, and property record cards. Additionally, the Worksheet preparer should identify parcels that have experienced a change in property tax status, such as taxable to tax-exempt or a change in land use that would impact assessed values.

Line 7: 2024 Pay 2025 Net Assessed Value Growth as a Result of Abatement Roll-Off in Allocation Area -

Similar to Line 5 above, it is necessary to remove increases in assessed value associated with abatement roll-off from consideration in order to isolate the impact of annual adjustment or reassessment on net assessed values in the allocation area. The Worksheet preparer should utilize available abatement information to identify abatements existing

within the allocation area and compute the amount of assessed value that was added to the allocation area from Pay 2023 to Pay 2024 due to abatement roll-off.

Line 8: Estimated Assessed Value Decrease Due to 2024 Pay 2025 Appeals Settlements in Allocation Area -

Due to the timing of when the Worksheet is completed and approved as compared to the actual billing for Pay 2025, it is possible that the assessed value of the allocation area changes due to the settlement of appeals. This line represents an allowance for appeals that will be settled between Pay 2025 net assessed value certification and tax billing. In estimating this number, the Worksheet preparer may consult with the county assessor to determine the amount of appeals anticipated to be settled during the tax year and the approximate value of these appeals.

Line 9: 2024 Pay 2025 Adjusted Net Assessed Value of Allocation Area –

Line 9 is a calculated field. It is designed to provide a comparable tax base in the allocation area to the tax base that existed in Pay 2023. To arrive at this value, the Worksheet adds Line 4 and Line 6, then subtracts Lines 5, 7, and 8.

Line 10: 2024 Pay 2025 Neutralization Factor -

Line 10 is a calculated field. It is the calculation of the actual base neutralization factor that will be applied to the allocation area within the county's tax and billing system. It represents an approximation of the change in net assessed value that is due to annual adjustment or reassessment. It is calculated by dividing Line 9 by Line 3. It should be rounded to five decimal places.

Line 11: 2024 Pay 2025 Adjusted Base Assessed Value of Allocation Area –

Line 11 is a calculated field. It is an estimate of the base assessed value in the allocation area for Pay 2025. It is calculated by taking Line 1 (2023 Pay 2024 base assessed value) and multiplying it by Line 10 (Pay 2025 neutralization factor).

Line 12: 2024 Pay 2025 Incremental Assessed Value of Allocation Area –

Line 12 is a calculated field. It is an estimate of the incremental assessed value in the allocation area for Pay 2025. It is calculated by taking Line 4 (2024 Pay 2025 net assessed value) and subtracting Line 11 (Pay 2025 base assessed value).

Previously, the form included three other lines that estimated various dollar amounts and tax rates. These lines were informational only and have been removed from the form as a way to streamline its completion.

If you have any questions on the information above or on the TIF Neutralization Worksheet or the TIF Neutralization Application, please contact Support@dlgf.in.gov.