Property Taxes: 2007 and beyond

Department of Local Government Finance

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Property Taxes: 2007 and beyond

- Trending: Indiana’s first effort
- Governor Daniels takes action
- Looking ahead
Trending: What is it?

- Revaluation of all real property
- Change in value from January 1, 1999 to January 1, 2005
- Locally-elected officials responsible
- 2006 Pay 2007: First time required in Indiana
Trending

- Annual adjustment of real property values based on analysis of market sales data
- Required by IC 6-1.1-4-4.5, beginning with March 1, 2006 assessment date
  - First appeared in law in 2002
  - Delayed by legislature in 2005 until 2006
  - Captures change in value from 1999 to 2005
  - 50 IAC 21 is adopted rule
Goals
- Equitably distribute the real property tax burden by annually adjusting values similar to personal property
- Smaller incremental annual adjustments between general reassessments
- Avoid large change in values

Next general reassessment scheduled to begin in 2009 effective for 2011 pay 2012
Trending: Local role

- Locally elected officials conduct entire process
  - Sales verification and validation
  - Review of neighborhood delineations and land values
  - Ratio study
  - Assessment ratio calculated for each property class
  - Trending factor applied
Trending: State role

- Ratio study review by DLGF
  - To ensure compliance with IAAO standards
  - Study captures assessment to sales ratio only
  - Incomplete analysis of local adherence to other methods of calculating change in value
Trending: State role

- Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study.
- The basic statistic in an assessment-to-sales ratio study is the assessment ratio.
- Assessed Value ÷ Sale Price = Ratio
Trending: State role

- Assessment ratio for all properties in Indiana to be 100%
  - Assessed Value ÷ Sale Price = Ratio
    - Example 1: $60,000 ÷ $60,000 = 100%
    - Example 2: $54,000 ÷ $60,000 = 90%
    - Example 3: $66,000 ÷ $60,000 = 110%
Trending in Marion County

- Spring tax bills mailed early July
  - Public shock at increases
  - Perception of inequality in assessments
  - Assessments did not change
    - 72 percent of commercial
    - 72 percent of industrial
Marion County Assessed Values
2006

2006 Gross AV By Class

- Residential: 63%
- Commercial: 28%
- Industrial: 4%
- Exempt: 5%
- Agriculture: 0%
- Utilities: 0%
Marion County Assessed Values 2007

2007 Gross AV by Class

- Residential: 65.83%
- Commercial: 24.51%
- Industrial: 4.24%
- Exempt: 4.93%
- Utilities: 0.29%
- Agriculture: 0.20%
Statewide Assessed Values 2006

2006 Gross AV By Class

- Residential: 62.4%
- Commercial: 16.6%
- Industrial: 5.5%
- Agriculture: 9.3%
- Exempt: 0.3%
- Utility: 5.9%
Statewide Assessed Values 2007

2007 Gross AV By Class

- Residential: 63.7%
- Commercial: 16.4%
- Agricultural: 8.5%
- Industrial: 5.2%
- Exempt: 5.9%
- Utility: 0.3%
Governor Daniels Takes Action

- 2005: developed school construction guidelines
- 2005: provided tools for government consolidation and efficiency
- 2005: proposals to shift from property taxes to other revenue sources
- 2005: called for a tax bill you can understand
- 2006: proposed state funding of child welfare costs
Governor Daniels Takes Action

Summer 2007

- Local Option Income Tax “LOIT”
  - 11 counties have adopted (including Marion)
  - Reduce reliance on property taxes
  - Shift burden to income taxes
    - Relieves those on fixed incomes
    - Burdens those with more income relative to property tax obligation
Governor Daniels Takes Action

Summer 2007:

- Ordered review of trending in all 92 counties
  - 69 counties released
  - 21 receive public hearings
    - 15 directives
    - 2 orders
    - 1 public hearing yesterday
    - 3 public hearings next week
  - 2 pending (Brown and Putnam)
Governor Daniels Takes Action

What did review reveal?
- Right job; wrong organizational structure
- System is collapsing under its own weight
  - 92 County Assessors
  - 1008 Township Assessors
  - 1/3 newly elected officials every 4 years
- Multiple software applications reduce efficiency
Governor Daniels Takes Action

Summer 2007:

- Formed Commission on Local Government Reform
  - Examine and make recommendations on reforming and restructuring local government.
  - Review past recommendations and report by December 31.
Governor Daniels Takes Action

Summer 2007:
- Proposed changing rebate to credit
- Extended LOIT adoption deadline to December 31
- Extended homestead deduction and credit applications deadline to October 15
Governor Daniels Takes Action

**Governor Daniels’ property tax relief plan**
- Immediate relief for every homeowner
- 1% permanent cap on homeowner taxes
- End to unfair and inaccurate assessments
- Real limits on local spending
Governor Daniels Takes Action

Governor Daniels’ property tax relief plan

- Permanent Cap: Constitutional circuit breaker
  - 1% residential
  - 2% rental
  - 3% businesses

- Levy Cut
  - Remove school operating and transportation costs
  - Child welfare costs
Governor Daniels Takes Action

**Governor Daniels’ property tax relief plan**

- Funding proposal
  - 1¢ sales tax
  - State surplus funds

- Spending controls
  - County Tax Board review of all spending
  - Referendum
    - for significant new capital projects
    - Spending in excess of income growth
Governor Daniels Takes Action

**Governor Daniels’ property tax relief plan**

– An end to unfair and inaccurate assessments

- Restructure assessment system:
  - Eliminate politically elected assessors
  - Replace with locally appointed county assessor
  - Qualified and certified
  - Oversee trained professionals
Looking Ahead

- HEA 1478 – Control Board changes
  - County Board of Tax and Capital Projects Review
    - Replaces DLGF for all capital projects over $7 million
    - Major exception: school projects
    - Other exceptions: road, water and sewer projects
    - Major impact: city, county and library construction projects
Looking Ahead

- DLGF initiatives:
  - More information available to public on the website [www.dlgf.in.gov](http://www.dlgf.in.gov)
    - Property information: tax assessments, bills, sales
    - Budgets information and analysis
    - Remonstrance toolkit coming soon
For More Information

- News releases from Governor Daniels
  - [www.in.gov/gov](http://www.in.gov/gov)
- News releases from the DLGF
  - [www.in.gov/dlgf](http://www.in.gov/dlgf)
- Contact the DLGF
  - 317.232.3777
  - propertytaxinfo@dlgf.in.gov
- Copies of presentation available at [www.dlgf.in.gov](http://www.dlgf.in.gov)