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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## **Real Property Data Compliance Checks** *January 2017*

The compliance reviews detailed in this document are the standard data reviews conducted by the Department of Local Government Finance (“Department”) on the county assessor’s real property data submission. Additional reviews may be conducted if necessary.

The review process for the real property data file submission (“submission”) is a two-step process. The submission is first reviewed in the fall for initial compliance, when it can be deemed “pending” or “not compliant.” A pending status is the best status a submission can reach for the fall review. Submissions that reach a pending status will remain in a pending status until the spring review. In the spring, the submission deemed pending is reviewed in relation to the TAXDATA file received from the county auditor and the county’s Abstract. At this time, the submission will be given a final status of compliant or not compliant.

Discrepancies that warrant a not compliant status are noted as rejection items on the compliance report. Rejection items must be identified and corrected. A corrected resubmission is required if a rejection item has been included in the compliance report. Warning items on the compliance report are discrepancies that are not serious enough to reject the submission. However, these items may result in a rejection of the submission for the following year if the issue still remains. Further comments on the submission may appear in the notes section of the compliance report.

The records that do not pass the checks outlined in this document may result in a warning and/or rejection item being noted on the county’s compliance report. The Department determines in conjunction with the Legislative Services Agency (“LSA”), whether failed checks meet the threshold for rejection. In many cases, a determining factor of compliance is the gross Assessed Value (“AV”) of the records in question. The AV threshold checked for compliance is the AV Total Land and Improvements from the PARCEL file per 50 IAC 26-20-4.

If a county is aware of any potential issues with their files prior to submitting a data extract, the county should provide an explanation along with the data submissions.

## **Real Property Compliance Checks**

The following standard checks are conducted on the three primary real property data files: PARCEL, LAND, IMPROVE. The other files (APPEAL, DWELLING, BUILDING, and BLDDTL) are used for explanation if needed.

### **1. Parcel Number Format**

The parcel number should be in accordance with the real parcel numbering system per 50 IAC 26-8-1. The parcel number needs to be 18 digits in length with the first two digits referencing the county. A significant amount of parcels not following this format may result in a rejection.

### **2. Duplicate Parcel Numbers**

There should be no duplicate parcel numbers in the PARCEL file. The parcel number needs to be unique to each property. If there are a large number of duplicates, the submission may be rejected.

### **3. State Assigned District Check**

Per 50 IAC 26-8-1(F), the last three digits of a parcel number should reference the State assigned district in which the parcel is located. The Department verifies this by checking the State Assigned District Number assigned to that record in the data files. Any parcel that does not meet the criteria is identified. The submission may be rejected if there are a significant number of these parcels or if there is substantial AV associated with the flawed parcels.

### **4. Valid Property Class Codes**

All parcels must carry a valid property class code (“PCC”) from Code List 1- Property Class Codes from the Property Tax Management System Code List Manual, which can be found on the Department’s website:

<http://www.in.gov/dlgf/files/Property%20Tax%20Management%20System%20Code%20List%20Manual.pdf>. Files may be rejected if there are a significant number of parcels that have an invalid property class code or if there is substantial AV associated with the flawed parcel, a rejection item may be received. The Department is aware that certain counties retain the “000” PCC in their CAMA system for internal purposes. However, PCC “000” does not appear on Code List 1. Records with PCC “000” in the submission may result in a rejection item. County officials should work with their software vendor to ensure these records are not included in their roll to the Auditor and data export to the Department.

### **5. PARCEL File Property Tax Cap Additions**

50 IAC 26 added AV fields for each section of the Property Tax Caps. These fields are commonly referred to as the “AV buckets.” The Department runs numerous checks on these AV buckets, as outlined below. The main check, described by (5a), is the AV Total Land and Improvements. According to 50 IAC 26-20-4, AV Total Land and Improvements is the sum of total current assessed value of the land and total current assessed value of improvements for property.

(5a.) AV Total Land + AV Total Improvements = AV Total Land and Improvements

If a discrepancy with (5a) is found, the Department runs additional checks on the individual subsections of the AV Total Land and Improvements. These checks are conducted on the AV Total Land and the AV Total Improvement fields. According to 50 IAC 26-20-4, the AV Total Land and the AV Total Improvement fields comprise the following AV buckets shown below. Additionally, the sum of all the AV buckets in the PARCEL file should total the AV Total Land and Improvements, which is verified in (iii).

i.) Sum of the AV Land Buckets = AV Total Land

- AV Land Buckets =
  - AV - Land Eligible for 1% Circuit Breaker Cap
  - AV - Non Homestead Residential Land Subject to 2% Circuit Breaker Cap
  - AV - Commercial Apartment Land Subject to 2% Circuit Breaker Cap
  - AV - Long Term Care Facility Land Subject to 2% Circuit Breaker Cap
  - AV - Mobile Home land subject to 2% Circuit Breaker Cap
  - AV – Farmland Subject to 2% Circuit Breaker Cap
  - AV - Land Subject to 3% Circuit Breaker Cap

ii.) Sum of the AV Improvement Buckets = AV Total Improvement

- AV Improve Buckets =
  - AV - Improvements Eligible for 1% Circuit Breaker Cap
  - AV - Non Homestead Residential Improvements Subject to 2% Circuit Breaker Cap
  - AV - Commercial Apartment Improvements Subject to 2% Circuit Breaker Cap
  - AV - Long Term Care Facility Improvements Subject to 2% Circuit Breaker Cap
  - AV - Improvements Subject to 3% Circuit Breaker Cap

iii.) Sum of all AV Buckets = AV Total Land and Improvements

- AV Improve Buckets + AV Land Buckets = AV Total Land and Improvements

The Department calculates these checks at the parcel level. For each parcel, the variance may not exceed five percent of the total reported AV in the field. The submission may be rejected if there are a significant number of parcels that do not meet the tolerance threshold.

## **6. Negative and Non-Numeric Assessed Values**

All AV fields in the PARCEL file should be positive, except the AV Adjustment fields. The PARCEL file may only contain negative values in the Land AV Adjustment, Improvement AV Adjustment, and Farmland AV Adjustment fields. The submission may be rejected if there are a significant number of parcels with a negative AV or if there is significant AV associated with the flawed parcels. Additionally, all AV fields should only include numeric values. The submission may be rejected if there are a significant number of records that are non-numeric.

## **7. LAND File and PARCEL File Matching Records**

All records in the LAND file must have a corresponding record in the PARCEL file. The submission may be rejected if there are a significant number of records that do not match or if the AV for these parcels is significantly large. Records in the LAND file should be consistent with records in the PARCEL file. The Department verifies this by checking the equations shown below. The check allows for a five percent per parcel tolerance. The submission may be rejected if there are a significant number of parcels that do not meet this threshold.

- AV in LAND file + Land AV Adjustment in PARCEL file = AV Total Land in PARCEL file
  - The AV in the LAND file is the Appraised Value with Influence Factors as per 50 IAC 26-20-4.
- AV in LAND file (restricted to the Farmland AV only) + Farmland AV Adjustment in PARCEL file = AV Farmland Subject to 2% Circuit Breaker Cap in PARCEL file
  - To calculate the Farmland AV in the LAND file, land is restricted to Land/Lot Type Codes: 2, 21, 22, 23, 24, 25, 4, 41, 42, 43, 5, 6, 7, 71, 72, 73, 8, 81, 82, 83

## **8. IMPROVE File and PARCEL File Matching Records**

All records in the IMPROVE file must have a corresponding record in the PARCEL file. The Department verifies that each parcel in the IMPROVE file has a matching parcel in the PARCEL file. The submission may be rejected if there are a large number of records that do not have a match.

Likewise, records in the PARCEL file with Improve AV should have a corresponding record in IMPROVE file. The Department is aware that there are certain Improvement Types that it does not recognize in the IMPROVE file. Namely, this includes parcels that have an Improvement AV in the

PARCEL file but do not have a state recognized improvement type code record assigned. The Department requests that counties include these records the PARCEL file. Records in the IMPROVE file should be consistent with records in the PARCEL file. The submission may be rejected if there are a significant number of parcels that are not within the five percent tolerance.

- AV in IMPROVE file + IMPROVE AV Adjustment in PARCEL file = AV Total Improvements in PARCEL file
  - The AV in the IMPROVE file is the Appraised Value as per 50 IAC 26-20-4.

**9. Owner's Name** Parcels need to be coded with an owner's name for the property. The total number of parcels with an owner's name and the AV of those parcels are considered for compliancy. A significant amount of either may result in rejection.

### **10. Government-Owned Parcels**

Parcels that are coded with a government-owned property class code should have a zero gross assessed value. In the data exports to the Department, parcels coded as government-owned (PCC 600-669) should contain a \$0 AV in all the AV fields and the subsequent files (e.g. LAND and IMPROVE files). The number of parcels that contain an AV (greater than \$0) and size of the AV is considered. If there is a significant amount for either, the submission may be rejected. The Department is aware that there can be situations in which government-owned properties should be submitted with an AV. If a property is (1) government-owned, (2) has a government-owned PCC, and (3) rents a portion of the property to a Private Entity that should receive a tax bill, the parcel should contain an AV. However, the AV in the data files should only represent the taxable portion of that parcel. The data compliance queries check the "absolutes" and cannot control for this nuance. Therefore, you may receive a warning or rejection for parcels with a government PCC and an AV. To account for this, the Department will accept a list and description of these properties and may consider this when determining data compliance.

### **11. Non-Government Owned Parcels**

Parcels that are coded with a non government-owned exempt property class code should have a gross assessed value. All not-for-profit and other entities that file for exemptions with the county will fall in PCC 670-699 and should be rolled and reported with AV. The auditor may deduct any values for exemptions to bring the net assessed value to zero. A large number of records that do not meet this criterion may warrant a rejection. The Department also verifies that the owner's name coincides with the PCC for that parcel. The ownership of the property, as well as the use of the property, can help determine which PCC is appropriate. If parcels have the correct AV associated with the PCC, but their names do not appear to coincide with that PCC, then the submission may receive a warning.

### **12. PARCEL File versus Abstract's District AVs**

The AV in the PARCEL file should be consistent with the county's Abstract AV. Grouping the records in the PARCEL file by their State Assigned Taxing District number, the PARCEL Gross AV by district is compared against the district AV from the county's Abstract. For the fall review, this check is done using the previous year's Abstract (e.g., for Pay 2017, the Pay 2017 data is evaluated alongside the county's Pay 2016 Abstract). A variance exceeding ten percent in a district and for the overall Gross AV may require further investigation and may be noted in the notes section of the compliance report. For the spring review, this check is re-visited with the

current Abstract. In this check, the AV variance of each district may not exceed five percent. Anything higher may warrant a rejection in most circumstances. The number of parcels in each district is also considered. In the spring review, if a discrepancy is found between the PARCEL file and the Abstract's district AV, additional analysis is conducted on the individual parcels from those districts.

### **13. PARCEL File versus TAXDATA File**

In the spring review, records should be consistent between the PARCEL file and the Auditor's TAXDATA file. The PARCEL file and the TAXDATA file should contain the same real property records. By comparing the parcel numbers between the two files, the Department can verify which parcels are missing, if any. A significant number of missing records may result in a rejection, especially if the associated AV is substantially large. The Department also reviews the Gross AV of the records in both files. The Gross AV of the real property records in both files should be consistent. A significant number of parcels with AV differences may result in a rejection, especially if the AV difference is large. Under the Lock Guidance in 50 IAC 26, there may be a reason for the Gross AV in the PARCEL file to not match the Gross AV in the TAXDATA file. During the spring review, the Department may request the tracking template to reconcile the differences between the two files.

In addition to the aforementioned checks, the Department has started performing analysis on the following:

- Property Address fields in the PARCEL file being populated with a logical value as opposed to being left blank
- A comparison between the value reflected in the AV – Classified Land field for records in the PARCEL file to the corresponding records in the LAND file that have a classified land Land/Lot Type Code associated with them
- A comparison between the value reflected in the Legally Deeded Acreage field for records in the PARCEL file to the value reflected in the Acreage field for corresponding records in the LAND file

These particular items have not factored in the Department's decision to deem a county's real property data submission as "pending," "compliant," or "rejection." Rather, this additional analysis has been performed on an informational only basis. However, the Department does reserve the right to start including the number of records and/or the AV associated with them for these three items when determining compliancy status for future data submissions.

Inquiries regarding compliance of real property data submissions should be sent to the Department's Data Inbox at [data@dlgf.in.gov](mailto:data@dlgf.in.gov).