

Jeff Wuensch

From: Shaw Friedman [sfriedman.associates@verizon.net]
Sent: Tuesday, March 04, 2008 9:39 PM
To: marilyn meighen; frank@nexustax.com; Jeff Wuensch
Subject: Fw: DLGF visits to editorial boards in advance of distributing analysis and in advance of Thursday's public meeting

Please include this e-mail in our packet.

Thanks, Shaw

----- Original Message -----

From: Shaw Friedman
To: Rushenberg, Tim
Sent: Tuesday, March 04, 2008 8:36 PM
Subject: DLGF visits to editorial boards in advance of distributing analysis and in advance of Thursday's public meeting

Via e-mail

Mr. Tim Rushenberg, General Counsel
Indiana Dept. of Local Government Finance
Indiana Government Center North
100 N. Senate Av. N1058(B)
Indianapolis, IN 46204

Re: *DLGF visits to editorial boards in advance of distributing analysis and in advance of Thursday's public meeting*

Tim,

I write to express my strong objection to arrangements apparently having been made for you, Ms. Musgrave and Ms. Michalak to meet with the editorial boards of both local newspapers in *advance* of our receiving the department's analysis and in *advance* of Thursday's public meeting.

In 24 years of law practice, I have never seen a state agency that is supposed to be a neutral fact finder wage a campaign with the local press *prior* to issuing a ruling or finding and *prior* to conducting a local hearing. This pre-hearing media blitz was scheduled before we even had the opportunity to review the data which you e-mailed late today and before we are even in possession of any memorandum from Everett Davis which I understand is due tomorrow morning. (Your media blitz is also being conducted at the *same* time as Mr. Davis will be present on-site reviewing additional documents from county government as his analysis is apparently *still* underway.)

This notion of a press briefing prior to the a public hearing and issuance of findings is highly irregular and continues to raise concern on my part of objectivity and fairness of the agency. No mention of such press briefings was made in the Commissioner's December 21, 2007 correspondence which pledged a meeting with all the parties to discuss the results of the department's analysis.

We therefore request that you cancel your pre-hearing media blitz on the grounds that it is highly prejudicial and inappropriate.

With the ethics complaint that we were forced to file against former DLGF staff person Lorraine Harmon, I cannot fathom why the agency would not want to go above and beyond to project objectivity and fairness in this process.

Sincerely yours,

3/5/2008

Shaw R. Friedman
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LaPorte, IN 46350
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email: sfriedman.associates@verizon.net

McDaniel, Carol L

From: Phil Raszkosky [praskosky@indy.net]
Sent: Thursday, September 06, 2007 11:47 AM
To: McDaniel, Carol L
Cc: 'Lambert, Renee'; 'Rushenberg, Tim'
Subject: not subject to reassessment

9/6/07

Carol L. McDaniel, Assessor
LaPorte County Assessor
813 Lincolnway, Suite 201
LaPorte, IN 46350

Dear Assessor McDaniel:

I am contacting you today at Commissioner Cheryl Musgrave's request. Commissioner Musgrave would like to inform you that after further review, LaPorte County will not be subject to a Reassessment Order. We appreciate your efforts and attention to this important matter. If you have additional questions or comments please contact me at (317) 234-4376. This information will be released to the media today at 1:00 p.m. Central Standard Time.

Sincerely,

Phillip E. Raszkosky, II
DLGF Assessor Auditor

9/7/2007

County property tax assessments pass state test

LA PORTE COUNTY — La Porte County property tax assessments passed the test of the Indiana Department of Local Government Finance, officials were told last week.

The department oversees the state's property tax system and found that the county's assessments are "current and up to date," La Porte County Assessor Carol McDaniel told The La Porte County Herald-Argus Friday.

McDaniel said it was a joint effort between her staff, their consultant Nexus Group, and township assessors.

"The method we used was the method the state was looking for," McDaniel said.

Assessment problems in Marion County prompted the government finance department to re-examine assessments in other parts of the state, including La Porte County, even though it was given a passing grade by the department earlier this year.

The problems in Marion County stemmed from outdated commercial and industrial assessments.

"That puts the burden on residential people to pick up the (slack)," McDaniel said.

The re-examination has led the

department to order reassessments for four counties, while another 13 counties have to hold public hearings to address preliminary orders to reassess property, according to a press release from McDaniel's office.

La Porte County was one of 14 counties re-approved.

"Officials in these counties conducted assessments in accordance with state guidelines and demonstrated due diligence in conducting the original assessments," government finance department Commissioner Cheryl Musgrave said in the press release.

Shaw Friedman

From: "Shaw Friedman" <sfriedman.associates@verizon.net>
To: <dsmith@heraldargus.com>; <cschable@heraldargus.com>
Sent: Wednesday, November 28, 2007 4:00 PM
Attach: DLGF Notice of September 6, 2007.pdf; Herald Argus article September 15, 2007.pdf;
Certification Status Map- DLGF- November 11, 2007.pdf; Reassessment Status Map- DLGF-
October 3, 2007.pdf
Subject: Fw: County Attorney response to DLGF statement regarding LaPorte County Assessor

**PRESS RELEASE
NOVEMBER 28, 2007**

County Attorney responds to DLGF statement regarding LaPorte County Assessor

LaPorte County Attorney Shaw Friedman today defended LaPorte County Assessor Carol McDaniel by saying the DLGF threat to pull the certifications of McDaniel and 22 other county assessors was a "massive over-reaction" to delayed submission of 2007 payable 2008 assessment data particularly when the state has "diverted and preoccupied Ms. McDaniel with yet a third review of the same 2006 payable 2007 data they had approved twice earlier this year."

While the state is now pushing for 2007 pay 2008 data, the Assessor "is forced for the third time to submit a defense of the 2006 pay 2007 assessments thanks to the Petition for Countywide Reassessment filed with the state by Long Beach homeowner William Wendt which has occupied considerable time and attention by the Assessor and her consultants."

"The first review and approval by the DLGF of 2006 pay 2007 data came on March 16, 2007 when the Assessor responded to a defective study submitted by Mr. Wendt pertaining to the county's sales ratio study. The county's second approval from the DLGF came after the Marion County debacle when the state examined our assessments and we were told there would be no reassessment ordered of LaPorte County." (See attached September 6, 2007 notice of DLGF indicating 'no reassessment to be ordered for LaPorte County' and accompanying 9/15/07 Herald Argus article.)

"Now the Assessor is having to provide a hugely detailed response for the *third time* regarding 2006 pay 2007 assessments in response to yet another flawed study submitted by Mr. Wendt to the DLGF. At some point, the DLGF needs to stick to its guns and not require further justification for work they have previously approved."

"Bottom line," said County Attorney Friedman, "as the DLGF's own maps on its website show, our county 'passed review and was released' for its 2006 pay 2007 assessments (see attached maps) and a full budget order was issued by the DLGF as well."

"This Assessor has gotten it done each time and jumped over every hoop placed in her way. She will certainly provide the 2007 pay 2008 assessment data by the December 10 deadline, but it's important that the public know she's working hard at this even with distractions like the Wendt lawsuits and has gotten approval from the state twice just this year on our 2006 pay 2007 assessments."

11/28/07

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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December 21, 2007

The Honorable Carol McDaniel
LaPorte County Assessor
555 Michigan Avenue, Suite 204
LaPorte, IN 46350

Mr. Shaw R. Friedman
Friedman & Associates P.C.
705 Lincolnway
LaPorte, IN 46350

Mr. Thomas M. Atherton
Bose McKinney & Evans, LLP
135 North Pennsylvania Street
Indianapolis, IN 46204

Dear Ms. McDaniel and Gentlemen:

This letter is to outline the review process the Department of Local Government Finance ("Department") intends to take to ensure the assessment process in LaPorte County for 2006-pay-2007 was conducted in accordance with Indiana law. In order to ensure uniform, equitable, and accurate assessments in LaPorte County, it is the Department's intention to review LaPorte County's March 2007 sales-assessment ratio study, the Robert Denne sales-assessment ratio study from October 2007, and LaPorte County's recently submitted December 2007 tax billing data. The Department believes an analysis of the information from these three sources will assist in determining whether the assessments in LaPorte County are accurate, uniform, and equitable in accordance with Indiana law.

First, the Department intends to compare the results from the county's March 2007 ratio study with a sales-assessment ratio study the Department will create from the 2006-pay-2007 tax billing data submitted by the county to the Department on December 2, 2007. The new ratio study to be created by the Department with the tax billing data will be analyzed to determine whether the median, the coefficient of dispersion (COD), and price-related differential (PRD) fall within the ranges of acceptability as stated in Indiana law. This analysis will also allow the Department to compare the December 2007 tax billing data ratio study with the March 2007 ratio study to determine if there were any dramatic changes to the accuracy, uniformity, and equity of the assessments in LaPorte County during that nine month period.

Second, the Department intends to compare the gross assessed valuations for specific parcels that appear in the county's March 2007 ratio study, the October 2007 Denne ratio study, and the

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county's December 2007 tax billing data. This parcel-level gross assessed valuation review will allow the Department to determine whether the assessed valuations for specific parcels dramatically changed at the various points analyzed by the three different studies.

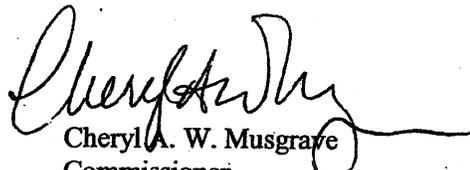
Unfortunately, the Department is unable to complete its intended analysis as described above at the current time for two reasons. First, on December 4, 2007, the Department requested from Mr. Wendt all of the data Mr. Denne used to create his October 2007 ratio study. During the Department's analysis of the Denne ratio study, it became apparent the Department was not in possession of all of the data Mr. Denne used. Mr. Wendt has not yet provided this data to the Department as requested; thus, the Department hereby renews its request of Mr. Wendt to provide the data. The Department requests this data be provided by Monday, January 7, 2008. Second, the county's 2006-pay-2007 tax billing data, which it submitted to the Department on December 2, 2007, was deemed non-compliant by the Legislative Services Agency (LSA) on or about December 10, 2007. As a result, this data cannot be analyzed until it is deemed compliant.

Once the Department receives and analyzes the requested data, the Department will share the results of its aforementioned analysis with Mr. Wendt and Ms. McDaniel. Shortly thereafter, the Department intends to bring both parties together to discuss the results and any other relevant information, including the previously submitted response from Nexus Group, which may affect the Department's decision on whether to order a reassessment of LaPorte County. It is the Department's intent that once this abovementioned review process is completed, a decision on whether to order a reassessment of LaPorte County will be made shortly thereafter.

As the Department has clearly indicated to LaPorte County and Mr. Wendt from the very beginning of this review process, it is critical that the Department, LaPorte County, and Mr. Wendt all have access to the exact same data. In this letter, the Department has detailed the data and information it will examine to assist in making a decision on whether to order a reassessment of LaPorte County. It is the Department's hope that Ms. McDaniel and Mr. Wendt share the same goal as the Department: to ensure uniform and equitable property assessments for the property taxpayers of LaPorte County.

If you have other questions or concerns, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770 or trushenberg@dlgf.in.gov.

Sincerely,


Cheryl A. W. Musgrave
Commissioner

STATE OF INDIANA

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January 17, 2008

The Honorable Carol McDaniel
LaPorte County Assessor
555 Michigan Avenue, Suite 204
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Mr. Shaw R. Friedman
Friedman & Associates P.C.
705 Lincolnway
LaPorte, IN 46350

Mr. Thomas M. Atherton
Bose McKinney & Evans, LLP
135 North Pennsylvania Street
Indianapolis, IN 46204

Dear Ms. McDaniel and Gentlemen:

This letter is to provide an update on the progress of the Department of Local Government Finance's ("Department") review of the 2006-pay-2007 assessments in LaPorte County. This letter is also to notify Mr. Atherton that the Department needs additional information from his client, William H. Wendt, to properly complete its analysis, and to inform LaPorte County that its December 2007 (2006-pay-2007) tax billing data is still non-compliant as determined by the Operations Division of the Department and the Legislative Services Agency (LSA).

As I notified all parties on December 21, 2007, the Department intends to compare the results from LaPorte County's March 2007 (2006-pay-2007) ratio study with a ratio study the Department will create from the December 2007 (2006-pay-2007) tax billing data submitted by the county. Second, the Department intends to compare the gross assessed valuations for specific parcels that appear in the county's March 2007 (2006-pay-2007) ratio study, the October 2007 Denne ratio study, and the county's December 2007 (2006-pay-2007) tax billing data.

The Department has an analyst within the Assessment Division assigned to analyze and compare the county's March 2007 (2006-pay-2007) ratio study with the data provided by Mr. Denne on December 27, 2007. This analyst is currently conducting this analysis and review. However, it has become apparent that more information is needed about the Denne study.

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Specifically, the Department needs the actual ratio study created by Mr. Denne. As stated above, Mr. Denne provided several data files to the Department on December 27, 2007. At the time the Department received the files, the Department thought it had all the information it needed to complete the intended analysis described above. However, as the review of the December 27, 2007 data progressed, it became clear that more information was needed about the Denne study.

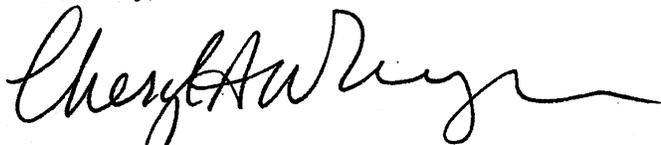
Specifically, the Department needs the sales and assessed value information and the manner in which Mr. Denne computed the ratios in his study. The Department needs the worksheet that contains the details of how the coefficient of dispersion (COD), price-related differential (PRD), and median were computed by Mr. Denne. Currently, the Department only has a summary sheet of Mr. Denne's conclusions. This information is needed for the Assessment Division to be able to compare the Denne ratios with the county's ratios. The Department must have this material provided to it by Mr. Wendt on or before **January 24, 2008**.

Additionally, as of the date of this letter, the county's December 2007 (2006-pay-2007) tax billing data is still non-compliant as determined by LSA and the Operations Division of the Department. As a result of this non-compliance, the Department is unable to compare the gross assessed valuations for specific parcels that appear in the county's March 2007 (2006-pay-2007) ratio study, the October 2007 Denne ratio study, and the county's December 2007 (2006-pay-2007) tax billing data, or create a ratio study from the December 2007 (2006-pay-2007) tax billing data. The Department implores county officials, particularly the County Auditor, to keep in contact with the analysts from the Operations Division of the Department so that the reasons for the non-compliance may be corrected as soon as possible.

Once the requested information is received, it is the Department's intention to complete its analysis in a manner that is both timely and thorough. It is the Department's goal to ensure uniform and equitable property assessments for the property taxpayers of LaPorte County.

If you have other questions or concerns, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770 or trushenberg@dlgf.in.gov.

Sincerely,



Cheryl A. W. Musgrave
Commissioner



STATE OF INDIANA
HOUSE OF REPRESENTATIVES
THIRD FLOOR STATE HOUSE
INDIANAPOLIS, INDIANA 46204

SCOTT D. PELATH
1824 MANHATTAN STREET
MICHIGAN CITY, IN 46360

COMMITTEES:
RULES AND LEGISLATIVE PROCEDURES, CHAIR
COMMITTEE ON JOINT RULES
PUBLIC POLICY
ELECTIONS AND APPORTIONMENT

December 4, 2007

Cheryl Musgrave, Commissioner
Department of Local Government Finance
100 N. Senate Ave. N 1058
Indianapolis, IN 46204

Dear Commissioner Musgrave:

Late last week, I learned that the Department of Local Government Finance (DLGF) may revoke its certification of LaPorte County's property tax assessments.

As in many other counties, our taxing units are borrowing millions in order to fund their operations. Since the interest payment constrictor is slowly tightening around my county's residents, any further, possible delay in revenue collections is a matter of significant concern.

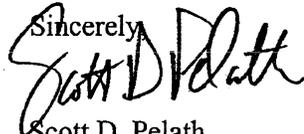
So I may better understand why the DLGF would grant approval and then reverse itself, I would appreciate a prompt response to the following series of questions:

- 1) If the DLGF is not satisfied with LaPorte County's assessment data, why did it even consider certifying the assessments?
- 2) On what date did the DLGF surmise that existing data was unsatisfactory? What influenced this appraisal?
- 3) Throughout the DLFG certification process, does the Department weigh the interest costs of any delay? Are they considered in comparison to the aggregate, potential benefit of any further review?
- 4) Are any concerns about LaPorte County's assessments best left to existing appeals processes and legal remedies?
- 5) If the Department signed-off on an assessment, why should LaPorte County taxpayers bear the cost of a DLGF reversal?
- 6) In layman's terms, what additional data is the DLGF seeking? Why is available data deficient?

On August 1, I sent an inquiry to the DLGF regarding LaPorte County's assessments. On August 13, I received a cursory reply that did not directly answer any of my questions. My follow-up letter of August 23 received no reply.

This time, I would look forward to receiving a written reply to each of my questions by Friday, December 7. Thank you for your time and immediate attention.

Sincerely,



Scott D. Pelath
State Representative
House District 9

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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December 13, 2007

The Honorable Scott D. Pelath
State of Indiana
House of Representatives
Third Floor, State House
Indianapolis, IN 46204

Dear Representative Pelath:

This is in response to your letter of December 4, 2007 regarding the 2006-pay-2007 LaPorte County property tax assessments. I will address your questions in order. However, I ask that you please direct your attention primarily to the responses to Questions number 1 and 2 for the reasons behind the Department of Local Government Finance's (Department) current review of LaPorte County's assessments.

1. Question: If the Department is not satisfied with LaPorte County's assessment data, why did it even consider certifying the assessments?

Response: Currently, the Department is satisfied with the assessment data provided to the Department by LaPorte County; however, serious questions have been raised about the uniformity, equity, accuracy, and fairness of these assessments. These questions have caused the Department to take another look at the assessments in LaPorte County for 2006-pay-2007. These concerns were brought to the Department's attention on October 19, 2007 by LaPorte County resident, William H. Wendt. Mr. Wendt paid a private firm to conduct a sales-assessment ratio study for LaPorte County. The study was performed by Robert C. Denne of Almy, Gloude-mans, Jacobs & Denne, Property Taxation and Assessment Consultants. Mr. Denne is a highly respected analyst who assisted the Indiana Fiscal Policy Institute (IFPI) from 2003 through 2005 with a county-by-county, parcel-level analysis of the 2002 reassessment in Indiana.

Mr. Denne's LaPorte County sales ratio study was based upon parcel and assessment data submitted from the county to the Department on June 4, 2007. The ratio study also analyzed the sales data reported by the county to the Department on September 5, 2007. Additionally, minor use was made of a copy of the county's assessment database, which was apparently obtained by Mr. Wendt or Mr. Denne in mid-June 2007.

On October 29, 2007, Mr. Wendt's Indianapolis attorney, Thomas Atherton, submitted a written request to the Department asking that a reassessment be ordered for LaPorte County due

The Honorable Scott D. Pelath

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to the results indicated in the Denne ratio study. The results of the Denne ratio study demonstrated that the assessments in LaPorte County fell outside the statistical ranges of acceptability under Indiana law. In his letter, Mr. Atherton cited Indiana Code sections 6-1.1-4-9; 6-1.1-4-31, *et seq*; and 6-1.1-33.5-1 as the authorities by which the Department may order a reassessment of LaPorte County.

As has been emphasized to LaPorte County officials and Mr. Wendt, no decision has been made on what actions, if any, the Department will take as a result of the request for a reassessment. The Department is still in the process of collecting and reviewing the relevant data in order to make an informed decision on whether to order a reassessment in LaPorte County.

2. Question: On what date did the Department surmise that existing data was unsatisfactory? What influenced this appraisal?

Response: The Department decided to take another look at the LaPorte County assessments shortly after October 19, 2007 when Mr. Wendt provided the Department with the sales ratio study conducted by Mr. Denne. The submission of this ratio study was followed by Mr. Atherton's written request for a reassessment of LaPorte County on October 29, 2007. In his letter, Mr. Atherton cited Indiana Code sections 6-1.1-4-9; 6-1.1-4-31, *et seq*; and 6-1.1-33.5-1 as the authorities by which the Department may order a reassessment of LaPorte County.

On November 7, 2007, the Department provided LaPorte County officials with the Denne ratio study. The Department also expressed concerns with county officials of what the study indicated. During the conversation with the county officials, the Department gave the county the opportunity to respond to the Denne ratio study. The deadline for a response was set for December 10, 2007.

On November 28, 2007, LaPorte County and Nexus Group, the county's vendor, submitted its response to the Denne ratio study. On December 2, 2007, the Department received the raw 2006-pay-2007 tax billing data submitted by LaPorte County for 2006-pay-2007. On December 4, 2007, the Department requested from Mr. Wendt all of the data used by Mr. Denne to create his October 2007 ratio study.

On December 10, 2007, the Department was notified that the tax billing data submitted by LaPorte County was deemed non-compliant by LSA. As a result, this data will be sent back to the county to be corrected.

It is the Department's intention at this time to review, analyze, and compare the county's March 2007 ratio study, the Denne ratio study of October 2007, and the county's December 2007 tax billing data. The Department believes such an analysis will assist in determining whether the assessments in LaPorte County are accurate, uniform, and equitable. However, without all of the data Mr. Denne used to create his ratio study and without compliant tax billing data from LaPorte County, the Department is unable to conduct its analysis at this time.

3. **Question:** Throughout the Department's certification process, does the Department weigh the interest costs of any delay? Are they considered in comparison to the aggregate, potential benefit of any further review?

Response: The Department's overwhelming interest is to ensure the laws of the State of Indiana are followed; specifically, Article 10, section 1 of the Indiana Constitution, which requires "a uniform and equal rate of property assessment and taxation" and regulations that "secure a just valuation for taxation of all property, both real and personal." The Department is required to follow the law and fulfill its statutory duties.

For example, Indiana Code section 6-1.1-31-1 grants the Department the authority to adopt rules concerning the assessment of tangible (real and personal) property. Indiana Code section 6-1.1-35-1 requires the Department to "see that all property assessments are made in the manner provided by law." Indiana Code section 6-1.1-4-4.5 requires the Department to "adopt rules establishing a system for annually adjusting [trending] the assessed value of real property to account for changes in value in those years since a general reassessment of property last took effect." These "trending" rules, which are found in 50 Indiana Administrative Code (IAC) 21, are required by statute to "promote uniform and equal assessment of real property within and across classifications." Also, the Department is statutorily obligated to "review and certify each annual adjustment" determined under the law. Lastly, Indiana Code section 6-1.1-4-31 requires the Department to "periodically check the conduct of ... work required to be performed by local officials under 50 IAC 21" and "other property assessment activities in the county, as determined by the department." The Department's rules regarding assessment are covered in Title 50, IAC.

Since no decision has been made on whether or not to order a reassessment in LaPorte County, the county officials must continue with their daily tasks and complete their statutory duties. The Department sees no reason why any county official should be delayed in doing their job at this time. No decision to order a reassessment has been made.

4. **Question:** Are any concerns about LaPorte County's assessments best left to existing appeals processes and legal remedies?

Response: Indiana Code section 6-1.1-15-1 permits a taxpayer to "obtain a review by the county board of a county [county property tax assessment board of appeals] or township official's action with respect to the assessment of the taxpayer's tangible property." However, the concerns raised by the Denne ratio study affect the uniformity, equity, and accuracy of the assessments of *all* taxpayers in LaPorte County, not just one taxpayer. As discussed above, the Department is statutorily required to ensure the annual adjustment process and other assessment procedures comply with Indiana law. The appeals process is a private right of a taxpayer, which may or may not be exercised. The Department simply cannot abdicate its responsibilities to the citizenry in the hope that possible countywide inequities and inaccurate assessments that violate the laws and administrative rules of the Department will be worked out through the appeals process.

5. Question: If the Department signed-off on an assessment, why should LaPorte County taxpayers bear the cost of a Departmental reversal?

Response: The Department approved LaPorte County's ratio study in March 2007 for 2006-pay-2007. That determination was based upon data provided to the Department from the county. A ratio study compares the County Assessor's estimate of value with objectively verifiable data, like sales of parcels. The Department reviewed the median, the coefficient of dispersion (COD), and price-related differential (PRD) in the ratio study submitted to the Department from the county for accuracy, uniformity, and equity of the assessments by classification (i.e., industrial, commercial, and residential) and by township.

In addition to the sales ratio study review process described above, the Department, at the direction of Governor Daniels, reviewed the County Assessor data set, which included the gross assessed valuation on *all* parcels in the county, not just those involved in sales. For 2006-pay-2007, this information was often times submitted six to eight months after the Department's approval of the county's sales-assessment ratio study. This Assessor data was reviewed by the Department's Assessment Division to determine the percent of change or no change between the parcels for the March 1, 2005 assessment date, which had a January 1, 1999 valuation date, and the March 1, 2006 assessment date, which had a January 1, 2005 valuation date. This analysis was conducted on every county and was done to verify whether or not the annual adjustment statute (Ind. Code § 6-1.1-4-4.5) and administrative rule were administered properly (50 IAC 21).

LaPorte County passed both of these analytical tests. However, the Denne ratio study has called into question the accuracy, uniformity, and equity of the assessments in LaPorte County. The Denne ratio study was presented to the Department on October 19, 2007 and uses data from the county's June 4, 2007 submission of parcel and assessment data to the Department and sales data reported to the Department by the county, as described above. This study, which was conducted by a reputable analyst, deserves appropriate attention.

As was stated above, it is the Department's intention at this time to review, analyze, and compare the county's March 2007 ratio study, the Denne ratio study of October 2007, and the county's December 2007 tax billing data. The Department believes such an analysis will assist in determining whether the assessments in LaPorte County are accurate, uniform, and equitable. However, without all of the data Mr. Denne used to create his ratio study and without compliant tax billing data from LaPorte County, the Department is unable to conduct its analysis at this time.

With regards to the cost of a reassessment, Indiana Code section 6-1.1-4-29 and Indiana Code section 6-1.1-4-31(i) place the expenses of a reassessment, except for the normal functions of the Department, on the county in which the reassessed property is situated.

6. Question: In layman's terms, what additional data is the Department seeking? Why is available data deficient?

The Honorable Scott D. Pelath
December 13, 2007
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Response: The Department needs the data used by Mr. Denne to create his October 2007 ratio study and compliant December 2007 tax billing data from the county in order to run a comparative analysis to determine whether the assessments in LaPorte County for 2006-pay-2007 were uniform, equitable, and accurate.

On December 2, 2007, the county submitted its raw 2006-pay-2007 tax billing data to the Department for review. Unfortunately, on December 10, 2007, the Department was notified that the tax billing data submitted by LaPorte County was deemed non-compliant by LSA. As a result, this data will be sent back to the county to be corrected.

On December 4, 2007, a request was made by the Department to Mr. Wendt to provide all of the data used in the Denne ratio study after it became apparent the Department was not in possession of all of the data utilized by Mr. Denne.

As an aside, it should be noted that the county's real property data for 2007-pay-2008, which was due to the Department by November 15, 2007 (extended from the statutory due date of October 1, 2007) has not been received as of this date. Ind. Code § 6-1.1-4-25; Ind. Code § 4-10-13-5.

As the Department has clearly indicated to LaPorte County and Mr. Wendt, it is critical that the Department, LaPorte County, and Mr. Wendt all have access to the exact same data for review and analysis purposes. It is the Department's hope that LaPorte County and Mr. Wendt share the same goal as the Department: to ensure a uniform and equitable property assessment system for the taxpayers of LaPorte County.

Thank you for your interest in this process. If you have other questions or concerns, please feel free to contact me.

Sincerely,



Cheryl A. W. Musgrave
Commissioner

STATE OF INDIANA

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December 4, 2007

Thomas M. Atherton
Bose McKinney & Evans, LLP
135 North Pennsylvania Street
Indianapolis, IN 46204

Dear Mr. Atherton,

On November 28, 2007, the Nexus Group responded on behalf of the LaPorte County Assessor and Township Assessors to the ratio study conducted by Robert Denne, which was paid for by your client, William H. Wendt. As you know, Nexus Group's response was provided to the Department nearly two weeks before their December 10 deadline. The Department is in the process of analyzing the county's response. Additionally, the Department is still reviewing the Denne Study, which you provided to us on October 19, 2007. However, during our analysis, it has become clear that we do not have all of the data used by Mr. Denne. Therefore, we request that your client provide us with all of the data used to create the Denne Study.

As we informed LaPorte County Assessor Carol McDaniel in a letter on November 20, 2007, it is the Department's goal to ensure fair, just, and accurate assessments in LaPorte County. To reach that goal, it is important that LaPorte County, the Department, and Mr. Wendt review the exact same data. At this point in our analysis of the Denne Study, it is obvious that we do not have all of the data used by Mr. Denne. Therefore, we ask that you please provide us with all of the data Mr. Denne used to create his ratio study.

Thank you for your attention to this matter. If you have any questions or concerns, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cheryl A. W. Musgrave".

Cheryl A. W. Musgrave
Commissioner

cc: Shaw Friedman
Carol McDaniel
William H. Wendt

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE
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November 20, 2007

Carol McDaniel
LaPorte County Assessor
555 Michigan Avenue, Suite 204
LaPorte, Indiana 46350

Dear Ms. McDaniel,

This is a follow-up to the telephone conversation we had on November 7, 2007. Present during the telephone conference were you, LaPorte County Attorney Shaw Friedman, LaPorte County Auditor Teresa Shuter, and LaPorte County Treasurer Ken Layton. I want to make sure all parties involved in that telephone conference are in complete agreement as to the contents of that conversation. A recent newspaper article published on November 14, 2007 in the Michigan City News Dispatch had led me to believe there is apparently a misunderstanding of what was said and discussed during our telephone conversation. The newspaper article states that you said "an effort by Long Beach homeowner Bill Wendt to have the state delay approval of 2007 property tax rates and conduct a new assessment has been rejected by the DLGF." That is an inaccurate statement and does not fairly summarize the telephone conversation from November 7, 2007.

The intent of this letter is to accurately summarize the substance of the November 7, 2007 telephone conference call to avoid any future misinterpretation of what was discussed. First, the Department of Local Government Finance (the "Department") is currently reviewing the Denne ratio study, which was provided to the Department on October 19, 2007 by LaPorte County property owner Bill Wendt, analyst Bob Denne, and Mr. Wendt's Indianapolis attorney, Tom Atherton. The Denne study was provided to you via email on November 7, 2007. During the telephone call, I issued to the county an opportunity to review and refute the study. I set an initial deadline of December 7, 2007, which was then changed at the request of county officials to December 8, 2007.

However, after some thought and recognition that December 8 is a Saturday, I hereby extend the county's deadline to submit their response to the Department of the Denne ratio study by close of business on Monday, December 10.

Second, the Department approved LaPorte County's 2007 budget order on November 7, 2007. However, a reassessment order from the Department remains a possibility. Whether a reassessment order will be issued depends upon what the Department's analysis of the Denne study indicates, and what LaPorte County submits to the Department by the close of business on Monday, December 10, 2007.

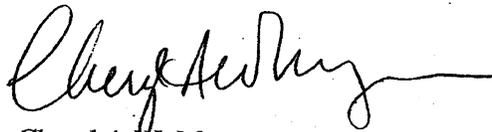
The Honorable Carol McDaniel
November 20, 2007
Page 2 of 2

I want all LaPorte County officials to be aware that if an order to reassess all real property is issued in LaPorte County for the March 1, 2006 assessment date, the 2007 certified tax rates, the 2006-pay-2007 assessed valuations, and 2006-pay-2007 tax bills would have to be voided.

The following information was not covered during the telephone conversation on November 7, 2007; however, it is important and must be raised in this letter. In order to ensure fair, just, and accurate assessments in LaPorte County, the County, the Department, and Mr. Wendt must analyze and review the exact same data. Thus, the Department will need access to the data used by the County to create its rebuttal to Mr. Denne's ratio study. We will also be requesting the data Mr. Wendt used for the Denne ratio study.

If you feel the above information failed to capture any portion of our conversation, or mischaracterized anything that was discussed, please feel free to contact the Department's General Counsel, Timothy J. Rushenberg, at (317) 233-6770.

Sincerely,



Cheryl A. W. Musgrave
Commissioner

cc: Tom Atherton
Shaw Friedman

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MEMORANDUM

DATE: October 2006

TO: County Assessors

FROM: Barry Wood
Director, Assessment Division

RE: 2006 Ratio Study Issues

50 IAC 21, the annual adjustment rule, requires all county assessors to conduct and submit to the DLGF a county wide ratio study after completion of annual adjustments. To date, the DLGF has received 44 Ratio Studies from throughout the state, with eight receiving approval. The Assessment Division's goal is to review and reply to the county's ratio study submission within two (2) weeks. The reply will either be in the form of an approval of the ratio study or a request for further information needed to review the study.

The following are suggestions and findings that we have found in reviewing the ratio studies:

1. A consolidated spreadsheet will help in our initial analysis and facilitate our review. Please do not submit a separate spreadsheet for each class of property or each township. Our preferred format would be one spreadsheet file with the first tab being a summary worksheet followed by separate tabs for each township. A township tab should show all property classes, or a separate tab for townships grouped together for a specific class. If you have already set-up your information to have tabs by class that would be acceptable too; please minimize the number of files and include a summary spreadsheet.
2. Please include the 2005 pay 2006 gross AV for land and improvements as well as the 2006 pay 2007 AV for land and improvements for all parcels used in the study.
3. In our review, we are comparing the number of sales used in the ratio study with a file analysis of the number of sales that could possibly be used from your data submissions to LSA and our Data Analysis Section. The biggest problem, to date, is the total number of sales significantly exceeding the number of sales being used in the ratio study. Please be sure to remove any duplicate sales (not re-sales, but multiple occurrences with the same date and price). While we

certainly do not expect all sales to be used (i.e. exempt sales, etc.), there are many sales that are not being used. "Trimming," or eliminating sales without a valid reason, is not an acceptable practice. Unless there is specific written notification and approval given for following the IAAO Standard on Ratio Studies on locating extreme outliers (see Section 6.6), all valid sales should be considered. For those classes of property where there are few sales, the IAAO Standard on Ratio Studies gives specific remedies for inadequate sample sizes (see Section 8.4).

4. We understand that certain software packages automatically invalidate or exclude multiple parcel sales; hence, many of those sales are not being included in the ratio study. Any valid sale where an assessment can be compared to the selling price should be considered. Be sure to include multiple parcel sales by summing the assessed values.
5. Land sales with subsequent improvements should also be included by imputing the assessment as vacant.
6. It is also appropriate to expand the range of sale dates to include 2006 and 2003 and earlier years with appropriate time adjustments. If sales are time adjusted, please include the actual sale price in addition to the time adjusted price.
7. Note that 50 IAC 14-3-3 specifically excluded the practice of including performance audits in the trending process, therefore, any inclusion of appraisals must be documented and the IAAO procedure outlined in the IAAO Standard (Section 9.6) must be followed.
8. As of September 30, 2006, the following 10 counties have not submitted sales data to LSA and DLGF for both 2004 and 2005:
 - Bartholomew
 - Boone
 - Brown
 - Floyd
 - Jennings
 - Johnson
 - Knox
 - Scott
 - Shelby
 - Vigo

We will not be able to proceed with the review and analysis of the ratio study for these counties until they are compliant with both years of sales data.

9. For counties that have submitted sales data, please note that non-compliant data may delay the processing of your annual adjustment ratio study. Counties are encouraged to correct or otherwise address non-compliant issues.
10. The sales disclosure file submitted as part of the required data submission to LSA and DLGF from a county should contain the data as it was filed on the original sales disclosure. Therefore, any updated sales data submissions in the future that had changes in sales data caused by re-validation of the sales during the annual adjustment process should not include the changed data. Please contact the Data Analysis Section at data@dlgf.in.gov for compliance issues and questions.
11. Please be sure to use the DLGF township and school district numbers, and not the county's numbers. These are available at http://www.in.gov/dlgf/pdfs/List_of_townships.pdf and <http://www.in.gov/dlgf/pdfs/2002School.pdf>.

12. If necessary, land values could and should be modified (see 50 IAC 21-4-2) before application of annual adjustment factors. For example, we are seeing cases where unimproved classes are significantly below the median or contrary to the sales disclosure file data. The corresponding improved class is also showing a low median but still within the “allowable” range. Adjusting the land value component will most likely bring the values into line.
13. Unimproved land purchased for homesites should be valued at market value unless IC 6-1.1-4-12 “developers” statute applies. The assessments for these parcels may not reach market value based on the method suggested in the guideline (Chapter 2, page 69) unless the assessment is based on an excess acre rate based solely on sales of this type of property and **not** on traditional ratios (e.g. 15 - 20%). An alternative for reaching market value includes creating an undeveloped homesite rate and applying an undeveloped influence factor to a “homesite” acre; another option is to use a higher than traditional excess rate developed from only building lot sales, and then apply an influence factor to the parcels with dwellings where the excess acreage is inadequate in size or shape to allow for dividing the parcel and developing or selling an additional building lot.
14. The DLGF will be calculating the price related differential although this is not called for in submission under the equalization standard (50 IAC 14-8-1). We will expect the assessing officials to have implemented 50 IAC 21-11-1 (b).
15. The twenty-five (25) parcel limit is not in effect for the annual adjustment process. Any valid sales in townships with fewer than twenty-five (25) parcels in a particular class should be considered with a grouping of similarly assessed properties in another township or class.
16. Although many counties have contracted out the annual adjustment/ratio study process to a vendor, the county is ultimately responsible for the submission of and approval of the ratio study by the DLGF.
17. We would recommend either sending out the “Annual Adjustment” Fact Sheet we sent out in June (and posted on our website at <http://www.in.gov/dlgf/news/annualFS.html>) with your Notices of Assessment, or making it readily available to help answer general questions from taxpayers.

Please contact Barry Wood or Lori Harmon at (317) 232-3773 or e-mail bwood@dlgf.in.gov or lharmon@dlgf.in.gov if there are questions regarding this memorandum.

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MEMORANDUM

DATE: July 2006

TO: County Assessors

FROM: Barry Wood
Director, Assessment Division

RE: Ratio Studies Conducted by the County Assessor
After Application of Annual Adjustment Factors

We have received inquiries as to the proper format for submitting the county assessor's ratio study required by 50 IAC 21-8-1. That provision of the administrative code states:

50 IAC 21-8-1 Mandatory analysis

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

Affected: IC 6-1.1-4-4.5

Sec. 1. After the application of annual adjustment factors, the county assessor shall calculate assessment ratio studies and provide the results to the department in the manner specified in 50 IAC 14-5-1 through 50 IAC 14-5-3.

The provision cited above requires county assessors to follow the procedures and format outlined in two sections of 50 IAC 14, the equalization rule. These are the same procedures that were used in submitting the ratio studies after the 2002 general reassessment. These two sections are reprinted below for your reference.

50 IAC 14-5-1 Classes of land

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

Affected: IC 6-1.1-13

Sec. 1. (a) For each township in a county assessor's county, the county assessor shall calculate an assessment ratio for each of the following classes of property:

- (1) Improved residential.
- (2) Unimproved residential.
- (3) Improved commercial.
- (4) Unimproved commercial.
- (5) Improved industrial.
- (6) Unimproved industrial.
- (7) Agricultural land.

The definitions for the terms used in the classifications listed in this subsection shall be as stated in Real Property Assessment Guidelines for 2002–Version A (Glossary), as incorporated by reference in 50 IAC 2.3-1-2(c).

(b) A county assessor may separately calculate an assessment ratio for agricultural home sites separate from agricultural land. A county assessor may also include agricultural home sites in an appropriate residential assessment ratio at the county assessor's option.

(c) If any of the classes of property listed in subsection (a) consists of fewer than twenty-five (25) parcels in a township, no assessment ratio is required to be calculated for that class in that township.

(d) In calculating assessment ratios, each county assessor shall disregard distributable utility property. The county assessor shall classify locally assessed utility real property according to its use, for example, commercial or industrial, for purposes of calculating assessment ratios.

50 IAC 14-5-3 Provision of information to department of local government finance; verification

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

Affected: IC 6-1.1-13; IC 6-1.1-14

Sec. 3. (a) After the required data computations are compiled for every township in a county, the county assessor shall forward the results of those computations, the computations themselves, and all information used to make the computations (including all sales and assessment information) to the division of data analysis of the department of local government finance (division) in the format described in 50 IAC 14-8.

(b) The division will review and verify the accuracy of the computations. If errors are found in the computations, the division will notify the county assessor, who shall correct all errors. Once all errors are corrected, the county assessor shall forward the corrected computations to the division of data analysis for verification. When this verification is complete, the division will notify the county assessor.

The information should be submitted in electronic format to Barry Wood at the e-mail address below. The department will send the county assessor a certification letter when the ratio study is found acceptable. The department is committed to issuing the certification letter within two weeks of the receipt of an acceptable ratio study.

Finally, the Annual Adjustment Rule (50 IAC 21) and the Equalization Standards Rule (50 IAC 12) does not specifically address the timing of when to submit values and when notices of assessment (Form 11's) can be sent out. If a county chooses to send out the notices before the department's approval of values, and the department finds that a certain class or area/township needs to be changed, the county may have to re-issue those notices, at its expense. It is recommended that assessment notices (Form 11) not be mailed nor gross assessed values be rolled to the county auditor until such time as the certification letter is received. Please contact me at (317) 232-3773 or e-mail bwood@dlgf.in.gov if there are questions regarding this memorandum.

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MEMORANDUM

DATE: May 2007

TO: Assessing Officials and Vendors

FROM: Barry Wood
Director, Assessment Division

RE: 2006 Ratio Study Re-cap

Although there are a couple of counties still working to have their 2006 Ratio Study approved, the following is a re-cap and review of the 2006 Annual Adjustment and Ratio Study process, as well as suggestions for the 2007 Ratio Study process. Last October, we compiled a memorandum of ratio study issues and suggestions to help facilitate the review and approval process. Many people expressed their desire to have the suggestions prior to submittal instead of after completion. Several of the issues and suggestions are included again. The Assessment Division's goal was to review and reply to the county's ratio study submission within two (2) weeks. This goal was dependent on a county submitting compliant 2004 and 2005 sales disclosure data. In many situations this review timeframe was met, and in others, it was exceeded. Our internal review process has been changed to better meet this goal.

In reviewing the 2006 Ratio Study process and looking ahead for the 2007 Ratio Study approval process, we noted the following points:

1. Although many counties have contracted out the annual adjustment/ratio study process to a vendor, the county assessor is ultimately responsible for the submission of and approval of the ratio study by the Department. We strongly recommend frequent communication with your vendor and other offices in regard to the annual adjustment process.
2. The biggest issue that delayed approval of the 2006 Ratio Studies was non-compliant Sales Disclosure Files (SDF). **For assessment year 2007, your 2005 and 2006 sales disclosure data files must be compliant with the rules of the Department before we will begin reviewing the county's 2007 ratio study. Please ensure your sales disclosure file database is compliant.** If you have any questions or inquiries about your SDF, please contact our Data

Analysis section at Data@dlgf.in.gov. Your electronic file submission should be sent to Diane Powers at Dpowers@iga.state.in.us.

Worksheet Submission Suggestions

3. A consolidated spreadsheet will help in our initial analysis and facilitate our review. Please do not submit a separate spreadsheet file for each class of property or for each township. Our preferred format is one spreadsheet file with the first tab being a summary worksheet followed by separate tabs for each property class (Residential Improved, Residential Vacant, Commercial Improved, Commercial Vacant, Industrial Improved, and Industrial Vacant). Please include the township names, and the school district numbers in the row for each sale. A property class tab should include all sales used in the study for all of the townships. Following each township (or group if necessary) will be the ratio study statistics for that segment. If you are already in the process of finalizing your ratio study and have tabs by township, we will accept your study presuming you submit one file and include a summary spreadsheet.

For the 2007 Ratio Study submission, please include the 2006 pay 2007 gross assessed value for land and improvements as well as the 2007 pay 2008 assessed value for land and improvements for all parcels used in the study.

4. Please be sure to remove any duplicate sales (not re-sales, but multiple occurrences with the same date and price).
5. Please include all calculations within the individual cells of your worksheet and avoid simply downloading values. This enables us to better understand how you calculated values and to more easily troubleshoot discrepancies.
6. Ratios should meet the IAAO standards as outlined in the Annual Adjustment rule. If ratios fall outside of the standards, further stratification or review of sales needs to be undertaken. Also, partially completed ratio studies should not be submitted and will not be reviewed. Please submit fully-completed ratio studies for review.
7. Note that 50 IAC 14-3-3 specifically excluded the practice of including performance audits in the trending process. Therefore, any inclusion of appraisals must be documented and the IAAO procedure outlined in the IAAO Standard (Section 9.6) must be followed.
8. Please be sure to use the Department's township and school district numbers, and not the county's numbers. These are available at http://www.in.gov/dlgf/pdfs/List_of_townships.pdf and <http://www.in.gov/dlgf/pdfs/2002School.pdf>. This will assist in our School Assessment Ratio Study.

9. In our review process, if there are issues or areas that need to be addressed, we will send out a checklist of items. When responding, please address each item specifically. Also, it is not necessary to re-submit an entire ratio study after the issues have been addressed, only those applicable portions (e.g. township/class).

Using the Maximum Number of Sales

10. In our review, we compared the number of sales used in your ratio study with a file analysis of the number of possible sales that could be used from your data submissions to LSA and our Data Analysis Section. In addition to non-compliant sales files, another major problem with the 2006 Ratio Studies was the low number of sales being used in the ratio study compared to the number of sales that were potentially available based on our Data Analysis Section's calculations. While we do not expect all sales to be used (i.e. exempt sales, etc.), the number of expected sales that were not used was larger than anticipated. Eliminating sales strictly based on the ratio not being within the range is not an acceptable practice.
11. Unless there is a specific written notification and approval given for following the IAAO Standard on Ratio Studies on locating extreme outliers (see Section 6.6), valid sales should be included in the study.
12. Any valid sale where an assessment or imputed assessment can be compared to the selling price should be used. The assessment should reflect the "intended use" of the property (e.g. a parcel assessed as a residential lot is purchased for a commercial site; the sale should be included in the study of vacant commercial sales).
13. Be sure to include multiple parcel sales by summing the assessed values and using that total to calculate the Assessment/Sales ratio.
14. For the 2007 Annual Adjustment process, sales disclosures data from calendar year 2005 and 2006 should be used. It is also appropriate to expand the range of sale dates to possibly include 2007 and 2004 and earlier years with appropriate time adjustments. If sales are time adjusted, please include the actual sale price in addition to the time adjusted price.
15. The valuation date for the March 1, 2007 assessment is January 1, 2006.
16. There have been concerns statewide that Commercial and Industrial properties may not have been adequately addressed in 2006. In order to ensure proper stratification and trending, please review and utilize all possible sales for these classes of property. For those classes of property where there are only a few sales, 50 IAC 21-5-2 (b), as well as the IAAO Standard on Ratio Studies gives specific remedies for inadequate sample sizes (see Section 8.4).

Land Value Considerations

17. If necessary, land values may need to be modified (see 50 IAC 21-4-2) before application of annual adjustment factors. There were cases where unimproved classes were significantly below the median or contrary to the sales disclosure file data. The corresponding improved classes showed a low median but still were within the “allowable” range. Adjusting the value component resulted in the values frequently falling into line.
18. Land sales now assessed with the subsequent improvements should also be included in the study by imputing the assessments as vacant.
19. Unimproved land purchased for homesites should be assessed at market value unless IC 6-1.1-4-12 “developers’ discount” statute applies. The sales may be included in the ratio study by imputing an assessment that would have otherwise been applied to the parcel.
20. The assessments for potential homesites may not reach market value by using the method suggested in the guideline (Chapter 2, page 69). Alternatives that will allow reaching market value include:
 - a. Using an assessment based on an excess acre rate determined solely on sales of unimproved sales of this class of property and not on the traditional method of applying a flat percentage to the homesite acre rate;
 - b. Creating an undeveloped homesite rate;
 - c. Using the same homesite acre rate and applying an undeveloped influence factor to yield a vacant land value; or
 - d. Using a higher than normal excess rate, developed from only building lot sales, and then applying a negative influence factor to the parcels with dwellings where the excess acreage is inadequate in size or shape to allow for dividing the parcel and developing or selling an additional building lot.

To date, we have received three (3) ratio studies for 2007. Per IC 6-1.1-5-14, the County Assessor is to deliver the real estate assessor’s book to the Auditor by July 1st. By August 1st, per IC 6-1.1-17-1, the County Auditor must provide assessed valuation information to the fiscal officer of each political subdivision of the county and the Department.

We encourage you to submit your 2007 ratio study as soon as possible to help facilitate the 2008 budget process. Ratio Studies should be submitted electronically to Barry Wood at bwood@dlgf.in.gov. We appreciate your assistance in trying to help ensure taxpayers throughout the state are assessed in a fair and equitable manner.

Please contact Barry Wood or Lori Harmon at (317) 232-3773 or e-mail bwood@dlgf.in.gov or lharmon@dlgf.in.gov if there are questions regarding this memorandum.