

STATE OF INDIANA

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GIBSON COUNTY – ASSESSMENT DIRECTIVE

The Department of Local Government Finance (Department) passed Resolution 2007-03 on July 25, 2007, pursuant to Ind. Code § 6-1.1-4-9, finding sufficient cause to believe it necessary to reassess real property in Gibson County, Indiana (Gibson County).

The Department published notice of a public hearing in accordance with Ind. Code § 6-1.1-4-10, and held a public hearing regarding the reassessment on August 13, 2007, at the Gibson County Courthouse, Commissioners Room, Princeton, Indiana.

After thorough review of all evidence and testimony before the Department, the Department now makes the following findings regarding the need for reassessment of real property in Gibson County as of the March 1, 2006, assessment date:

WHEREAS, the Department is charged with maintaining a just and equitable valuation of real property throughout the state; and

WHEREAS, the Department finds the accurate assessment of real property to be an indispensable requirement for a fair and equitable system of property taxation; and

WHEREAS, Ind. Code § 6-1.1-31-5 states that the rules adopted by the Department are the basis for determining the true tax value of tangible property; and

WHEREAS, Ind. Code § 6-1.1-31-5 requires county assessors to comply with the rules, appraisal manuals, bulletins, and directives adopted by the Department; and

WHEREAS, Ind. Code § 36-2-15-5 requires that county assessors perform the functions assigned by statute to the county assessors; and

WHEREAS, Ind. Code § 6-1.1-9-6 requires county assessors to assess all omitted or undervalued tangible property which is subject to assessment in accordance with the provisions of the article; and

WHEREAS, the Department has adopted 50 IAC 21, an administrative rule that requires the annual adjustment of all real property values in accordance with Ind. Code § 6-1.1-4-4.5 beginning with the March 1, 2006, assessment date; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of commercial parcels revealed that seventy-nine percent (79%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year; and

WHEREAS, a county-wide analysis of gross assessed values on all classes of industrial parcels revealed that eighty-three percent (83%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year; and

WHEREAS, the assessment-to-sales ratio study submitted by the Gibson County Assessor (County Assessor) indicated that assessments on commercial property in certain townships were inaccurate or inequitable, specifically:

- Improved commercial property in Barton, Center, Wabash, and Washington Townships did not have any sales reported, apparently did not have a county-wide annual adjustment factor applied, nor were they analyzed in the ratio study. Administrative law requires townships with fewer than twenty-five (25) parcels in a particular class to be considered with a grouping of similar properties in other townships;
- No sales were reported for Unimproved Commercial property county-wide. It is unknown if other information, as specified in 50 IAC 21-5-2(b), was utilized in the annual adjustment process; and

WHEREAS, the assessment-to-sales ratio study submitted by the County Assessor indicated that assessments on industrial property in certain townships were inaccurate or inequitable, specifically:

- No sales were reported for Improved Industrial property county-wide. It is unknown if other information, as specified in 50 IAC 21-5-2 (b), was utilized in the annual adjustment process;
- No sales were reported for Unimproved Industrial property county-wide. It is unknown if other information, as specified in 50 IAC 21-5-2 (b), was utilized in the annual adjustment process; and

WHEREAS, 50 IAC 21-5-2(b) provides that if assessing officials determine that there are insufficient sales of commercial or industrial improved property in a township or county to determine an annual adjustment factor, the county shall use other data or information to derive annual adjustment factors or modify the values of commercial and industrial property, including, but not limited to:

- Marshall and Swift cost and depreciation tables from the first quarter of the calendar year preceding the assessment date; and
- Income data, rental data, market value appraisals, and other relevant evidence adjusted, as applicable to the January 1, 2005 valuation date; and

WHEREAS, the Department has concluded based on the evidence and testimony presented that a review of commercial and industrial properties is warranted; and

WHEREAS, the review of commercial and industrial real property for Gibson County will proceed more efficiently and effectively if the County Assessor utilizes Marshall and Swift

cost and depreciation tables and market value appraisals, as described above, as the primary methodology and means to determine whether and to what extent commercial and industrial real properties should be further adjusted to the January 1, 2005 valuation date, subject to supervision by the Department; and

WHEREAS, it is clear from the record before the Department that the local officials and the taxpayers of Gibson County do not believe that a reassessment is in the best interest of the county and that any existing assessment errors can be corrected by the County Assessor's office subject to supervision by the Department.

NOW THEREFORE, in light of the above findings, the Department finds that a full reassessment is not appropriate for the Gibson County March 1, 2006, assessments. However, the Department may find it necessary to order a partial reassessment under Ind. Code § 6-1.1-4-9 if the issues discussed above are not addressed by the County Assessor. As an acceptable alternative and in lieu of a partial reassessment order, the Department directs that the County Assessor follow her duty under Ind. Code § 6-1.1-9 and implement the following process:

Review for Undervalued or Omitted Property

1. The County Assessor should perform a review of all commercial and industrial real property in Gibson County for the March 1, 2006, assessment date, subject to approval by the Department. This review should be performed for the purposes of detecting and correcting undervalued and omitted property as required by Ind. Code § 6-1.1-9. The actions suggested for this review are explained in detail below.

2. The review of commercial and industrial real property in Gibson County, including adjustments to assessed values and a Department-approved ratio study, should be completed by December 31, 2007. Any changes to assessed values shall be made in accordance with Ind. Code § 6-1.1-9-5.

3. The valuation date for purposes of valuing undervalued and omitted properties under this directive shall be January 1, 2005, and the assessment date is March 1, 2006.

4. The County Assessor shall promptly provide any assistance requested by the Department and produce any documents, records, or other work product within three (3) business days of a written request by the Department.

5. In accordance with Ind. Code § 6-1.1-9-6, the Township Assessors in Gibson County and the Gibson County Auditor (County Auditor) shall promptly provide all records and assistance requested by the County Assessor for this review.

Combination of Parcels

6. Pursuant to the requirements of Ind. Code § 6-1.1-5-16, the County Assessor shall consolidate more than one (1) existing contiguous parcel into a single parcel if the assessing official has knowledge that an improvement to the real property is located on or otherwise significantly affects the parcels.

Suggested Scope of Work – Cost Approach

7. The County Assessor shall develop an estimate of value for all non-residential improved properties using updated cost and depreciation tables that reflect property values for January 1, 2005.

8. The estimate of value determined for all non-residential improved properties using updated cost and depreciation tables must be approved in writing by the Department before each is applied to the property. If the Department rejects an estimate of value, the County Assessor shall develop a new estimate of value.

Suggested Scope of Work – Sales Approach

9. The County Assessor shall evaluate the validity of each sale from the 2004 and 2005 sales disclosure file database, and where applicable, generate an estimate of value calculated for commercial and industrial real property.

10. The estimate of value determined for all non-residential improved properties using the 2004 and 2005 sales disclosure file database must be approved in writing by the Department before each is applied to the property. If the Department rejects an estimate of value, the County Assessor shall develop a new estimate of value.

Suggested Scope of Work – Reconciliation of Cost and Sales Approaches

11. Once values have been determined under the cost approach and sales approach, those values shall be compared and reconciled in accordance with generally accepted appraisal practices to develop a final annual adjustment factor for each non-residential property.

12. The final annual adjustment factors developed under the cost and sales approaches must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the annual adjustment factors, the County Assessor shall develop new factors.

13. Once the final annual adjustment factors have been developed by the County Assessor, the County Assessor shall provide a report for data entry into a CAMA system. Once

the final annual adjustment factors have been developed by the County Assessor, the county Assessor shall ensure that the data is entered into a CAMA system.

Suggested Scope of Work – Income Approach

14. The County Assessor may use the income approach to develop an estimate of value for non-residential properties as he deems appropriate.

15. Any assessment changes resulting from application of the income approach must be approved in writing by the Department before they are applied to the value of any property. If the Department rejects the income approach assessed values, the County Assessor shall develop assessed values for those properties.

Suggested Scope of Work – Final Ratio Study

16. Once all non-residential real property has been reviewed and final annual adjustment factors have been applied, a sales-assessment ratio study shall be completed by the County Assessor.

17. The final ratio study shall be performed using the methods or combination of methods acceptable under the Standard on Ratio Studies published by the International Association of Assessing Officers (“IAAO”) or other acceptable appraisal methods approved by the Department in 50 IAC 21.

Review and Approval by the Department

18. In a continued effort to avoid an order of partial reassessment under Ind. Code § 6-1.1-4-9, the Department requests that:

- a. The County Assessor provide weekly status reports in writing detailing the progress of the review and correction of undervalued property; and
- b. If the Department finds errors in assessments developed under this directive and the Department rejects the proposed assessments, the County Assessor shall take any corrective action the Department deems necessary to achieve accurate and equitable assessments.

19. Pursuant to the requirements of 50 IAC 21, the ratio study prepared under this directive shall be approved in writing by the Department before the assessed values are rolled to the County Auditor. The Department may direct the County Assessor to take any corrective action the Department deems necessary to achieve accurate and equitable assessments.

Property Tax Billing and Payment Issues

20. The review required under Ind. Code § 6-1.1-9 does not require invalidation of previously established tax rates for Gibson County. All taxpayers will be required to pay their 2007 tax bills as calculated by the County Treasurer.

Assessment Appeals

21. All assessment appeals for the March 1, 2006, assessment date shall continue to be processed by the local assessors in accordance with Ind. Code § 6-1.1-15.

22. If the County Assessor modifies an assessment under this directive that is under appeal, the County Assessor must send the notice required by Ind. Code § 6-1.1-9-1. Any appeal by the taxpayer shall be taken from Ind. Code § 6-1.1-9.

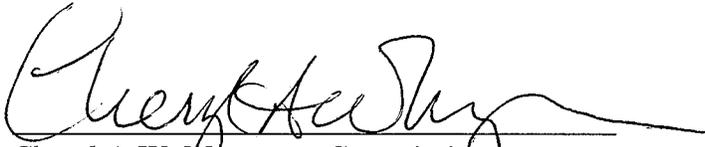
Cost of Review

23. Pursuant to Ind. Code § 6-1.1-9, all costs incurred in reviewing and adjusting undervalued properties shall be paid from county funds. Unencumbered monies in the county reassessment fund may be used for the purposes of this review.

Effect on 2008 Budget Order

24. Because the assessed values determined using the process above may affect both the tax rates and levies for taxes first due and payable in 2008, the Department will not certify the 2008 Budget Order, including budgets, tax rates and tax levies, for Gibson County until the process described above has been completed.

The Department has determined that the abovementioned assessment inaccuracies occurred in Gibson County for the March 1, 2006, assessment date. According to Ind. Code §§ 36-2-15-5 and 6-1.1-31-5, the County Assessor must perform the functions assigned by statute to county assessors and comply with the rules, appraisal manuals, bulletins, and directives adopted by the Department. Ind. Code § 6-1.1-9-6 requires the County Assessor to assess all omitted or undervalued tangible property according to the provisions of the article. In lieu of ordering a partial reassessment, the Department directs the County Assessor to fulfill her statutory duty under Ind. Code § 6-1.1-9. Following the process outlined by the Department above avoids the necessity for the Department to issue further orders.



Cheryl A.W. Musgrave, Commissioner
Department of Local Government Finance

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