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War Of Words Between County, State Officials

State Rep. Scott Pelath enters fray with local officials complaining about governor's DLGF appointee.

Laurie Wink

The News-Dispatch

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LA PORTE - The fight between county officials and the Indiana Department of Local Government Finance over property assessment has escalated into a war of words spreading to Gov. Mitch Daniels' office.

The underlying issues have been fueled by apparent increasing animosity between DLGF Commissioner Cheryl Musgrave and La Porte County officials.

The relationship prompted State Rep. Scott Pelath, D-Michigan City, to send Daniels a letter Wednesday asking him to investigate DLGF performance under Musgrave's leadership. In the letter, Pelath said "In my estimation, the DLGF does not make situations better; it frequently makes them worse."

The governor appointed Musgrave to head the agency last year. Since then, Pelath wrote, other counties besides La Porte County have had problems. County Attorney County Attorney Shaw Friedman distributed Pelath's letter at a Friday meeting of the La Porte Chamber of Commerce Legislative Affairs Committee.

The latest skirmish in La Porte County is over the Homestead rebate checks authorized by the General Assembly but not yet issued to county property taxpayers. In a The News-Dispatch article on May 3, Friedman urged county residents to show up at the scheduled DLGF hearing on May 15 to demand their rebate checks.

On Friday, The News-Dispatch received an e-mail from Mary Jane Michalak, DLGF director of communication, putting the blame for the delayed rebate checks on the county. The e-mail referred to the "county failure to issue this relief as ordered by the legislature."

The DLGF acknowledges sending a memo Oct. 29, 2007, to County Auditor Teresa Shuter stating counties ordered to conduct a reassessment couldn't issue refunds until the reassessment was complete.

But Friday's message from Michalak said that memo was "the first in a series of documents regarding the rebate process in La Porte County."

It goes on the cite state law requiring the county auditor to issue rebate checks within 60 days of the tax bill due date. Michalak, on behalf of the DLGF wrote, "La Porte Pay 2007 property tax bills had a due date of Jan. 11, 2008 ... the county should have returned all unused Homestead Refund dollars to the state by March 11, 2008."

Shuter told The News-Dispatch she is not about to issue 30,000 rebate checks, at a cost of \$50,000, that could be incorrect because 2006 tax assessments are under review by the DLGF.

"Common sense dictates you can't send out 30,000 checks that are wrong," Shuter said. She said she has been in touch with the state auditor's office and "nobody has asked for the money."

Shuter says the General Assembly is responsible for some of the confusion over rebate checks.

"The legislators, in their infinite wisdom, put absolutely no statute in place dealing with when to get the funds to taxpayers, but they did put one on when to get the money back to the state," she said.

According to Shuter, the rebate checks could have gone out sooner if the DLGF hadn't been keeping the county in limbo for six months while waiting for a decision about a reassessment for 2006.

During that process, the relationship between the county and DLGF has deteriorated.

"The treatment of county officials by the DLGF is absolutely deplorable," Shuter said. She referred to a phone conference between the county and the DLGF held last week.

"She (Musgrave) literally yelled at us about the rebate checks and hung up on us," Shuter said. "She has a very condescending, dictatorial personality that is a direct reflection on the governor."

In the 16 years Shuter has worked in the auditor's office, she said the county and the DLGF have worked cooperatively together but that is no longer the case.

"We're supposed to be working hand-in-hand to benefit the taxpayers," Shuter said.

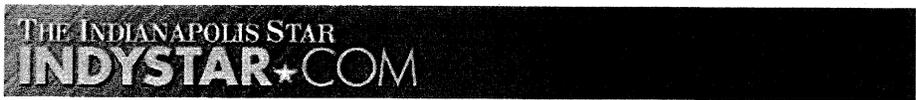
Pelath made that point quite clear in his letter to Daniels.

"Perhaps the most frustrating thing for me, personally, is that neither the Commissioner nor the DLGF seem to acknowledge any fallibility at all," he said. "After several formal inquiries, I find their answers to be wanting, and they frequently appear to wash their hands of issues over which they clearly have influence."

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October 21, 2005

Study finds property tax chaos

Disparities abound in system that was supposed to be fixed in 2003

By **Mary Beth Schneider**

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Despite a massive overhaul of the state's property tax system, wide disparities remain in 85 percent of Indiana's counties between what a home is assessed at and what it actually sold for, a new study shows.

Taxpayers can have little confidence that they are shouldering their fair share of the property tax burden, said officials with the Indiana Fiscal Policy Institute, which did the study.

The disparities mean the owner of a home that would sell for \$100,000 might find his home assessed at \$80,000, while the owner of another home with the same sale price might find her home assessed at \$120,000 – even in the same county or township, said Steven Johnson, a former state senator who is president of the institute.

"If we needed more proof that the system isn't fixed, it came today," said Karl Berron, a lobbyist for the Indiana Association of Realtors and a member of the steering committee that received the report Thursday.

The \$850,000 study, commissioned by the state in 2003, the year the tax restructuring took effect, found "systemic inconsistency" in assessment practices throughout the state – both between counties and within counties.

The disparities are even greater for commercial property, according to the study, with problems found in 90 percent of counties.

For every home or business that is underassessed in value, every other property taxpayer in that township or county must pay a greater share of the overall levy to make up the difference.

The report recommended several changes, including eliminating all 1,008 elected township assessors and trustee/assessors in the state and replacing them with appointed professionals who would work for the county. Elected assessors are not uniformly applying the changes that went into effect in 2003 to fix the system, the study said.

Since 1993, when a group of Lake County property taxpayers filed suit to challenge the fairness of the system, state government has wrestled with moving Indiana to a market-value approach. After 12 years of turmoil, Berron said, "We really haven't fixed anything."

Hoosiers, especially those living in older homes, howled in protest after the assessment system changed, seeing their bills skyrocket two years ago. At least now the system would be fair to everyone, they were told.

Larry Dorfman is a real estate broker and contractor. He knows and understands home prices, and finds it hard to understand why the state is having such a hard time sorting out property taxes.

Dorfman, who lives in the 5600 block of Meridian Street, saw his property tax bill quintuple after the state moved to the new assessment system more closely tied to market values. He appealed and got it reduced – to three times more than his prior bills.

That's fair, he feels, but Dorfman said he doesn't see why assessors can't simply look at recent sales prices to figure out the market value when setting assessments.

Better in Central Indiana

In general, Central Indiana counties seemed to fare better than most in the state under the study's complicated measurement of inconsistencies.

Hamilton and Hancock counties, for example, fell within what the study said is an acceptable range between assessments and sale prices. Marion County is over that range, but not by as much as many other counties.

Melissa Henson, commissioner of the state Department of Local Government Finance, said the state will evaluate the report and "look at all avenues" for ways to improve, including better training of assessors.

The next general reassessment is scheduled for 2009, but the state is scheduled to move in 2006 to a system called "trending" in which assessed values are re-examined annually to reflect changing home prices.

The study found widespread evidence that townships and counties are trying to do that now by "chasing sales," changing a home's assessed value to reflect the sales price. That's great for the properties that sold, researchers said, but bad for those properties that didn't change hands and so still have the same, unaltered assessed value, leading to continued inconsistencies.

Mark Brown, Indiana Fiscal Policy Institute research director, who wrote the report, cited Knox and LaGrange counties as "a real-world example" of the inequities the study found.

Homes that sold for \$150,000 in each county were assessed differently, he said, with the LaGrange home in northeastern Indiana assessed at \$90,000 but the Knox home in the southwestern part of the state assessed at \$224,000.

"It's not an estimate. We know that," Brown said.

A summary of the reports' findings called the current system of counties evaluating their own assessments for fairness "a sham," with no effective state oversight and little accountability at any level of government.

The study was supposed to be of every township in each of the state's 92 counties, but researchers found a patchwork of systems so chaotic that five counties — Brown, Henry, Noble, Perry and Wabash — couldn't be included because of a lack of usable data.

Robert Denne, a consultant with the Arizona-based firm Almy, Gludemans, Jacobs & Denne, which collected the data, said researchers found pervasive problems with "incomprehensible" and inconsistently kept data — problems that he and others said have to be fixed if Indiana is going to have a genuine market-value system.

The report found that townships and counties are routinely not complying with state regulations and laws in collecting and reporting needed data, and said politics needs to be taken out of the process.

"The state standard was uniformly not applied," Brown said.

"The delegation of responsibility for property assessment to township officials essentially is an artifact of the mid-19th century," the summary states. "The state should transfer responsibility for assessment from townships to counties."

Taking politics out

Carole Maynard, the Hancock County assessor and a member of the study's steering committee, said she's all for that.

"Take politics out of it," said Maynard, who has been an assessor for 36 years, including 18 as a deputy assessor. "Make it professional."

She said that should extend to the state level, maintaining those who work with tax and local government finance issues shouldn't change with each new administration.

Eliminating township assessors and moving their duties to the county would require legislative approval. Johnson, a former lawmaker, laughed and rolled his eyes when asked how hard it would be to persuade elected officials to eliminate other elected positions.

The discussion already has started, though, with Gov. Mitch Daniels telling the Association of Indiana Counties this week that Indiana has too many elected officials, urging it to consider consolidating functions and eliminating layers of government.

Indiana paid \$550,000 of the cost of the study, which was sought initially by Democratic Gov. Joe Kernan when the state first shifted to a market value system in 2003. Private sources, including the Indiana Farm Bureau, paid for the remainder. Johnson would not identify the other private sources of funds.