TO: County Auditors and Redevelopment Commissions

FROM: Fred Van Dorp, Budget Division Director

RE: Pay 2019 TIF Neutralization Worksheet

DATE: May 18, 2018

Each year, the county auditor is responsible for submitting the Tax Increment Finance (“TIF”) Neutralization Worksheet (“Worksheet”) for each allocation area in the county. The neutralization process must be completed before a county may certify their assessed values to the Department of Local Government Finance (“Department”). This memorandum provides instructions on how to complete the Worksheet. The worksheet is now an official state form. All submissions must be made using the current version of the 56069 – TIF Neutralization Form.

Procedures for TIF Neutralization
The preparation of the Worksheet cannot occur until the county auditor has received the gross assessed values from the county assessor and applied appropriate deductions and exemptions.

The county auditor will prepare or have prepared a Worksheet for each allocation area with real property assessed value in the county. Personal property assessed value should not be included in the calculation of TIF Neutralization. Additionally, allocation areas that only contain personal property assessed value do not require a Worksheet to be completed.

When the Worksheets are completed, reviewed, and signed by the county auditor, they can be emailed to Fred Van Dorp, Budget Division Director, at fvandorp@dlgf.in.gov.

After receipt of the Worksheets from a county, the Department will review the submitted Worksheets and will work with the county auditor and/or the Worksheet preparer to address any questions. Once all questions have been addressed, the Department’s Commissioner will sign the Worksheets to approve the calculation. The approved Worksheets will then be returned to the county auditor and posted on the Department’s website under the county specific page.

The county auditor will apply the base neutralization factor calculated on each Worksheet to the allocation area within the county’s tax and billing system. Questions about this process should be addressed to the county’s tax and billing software vendor. After application of the base neutralization factors, the county auditor can complete the process of calculating net assessed values for Pay 2019 and certify these values to the Department through Gateway.
**Detailed Information on the TIF Neutralization Worksheet**

The following section provides a line-by-line guide on how to complete the Worksheet.

**County**
County number and name (Example: 01 – Adams).

**Jurisdiction**
Name of county, city, or town which established the redevelopment commission or authority with oversight over the identified allocation area.

**Allocation Area Code**
Each TIF district in the county should have a unique code assigned by the county auditor. This code should begin with the letter T, followed by the two-digit county number, followed by a three-digit number created by the county auditor to uniquely identify the allocation area within the county.

Each TIF district should have only one code. This means that TIF districts should neither be broken out by taxing district nor should expansions of an existing TIF district be provided a separate code. The TIF district should be neutralized and reported in its entirety.

**Allocation Area Name**
The official name of the TIF District.

**Form Prepared By**
The lines in this section should be completed with the information of a contact person the Department can contact if it has any questions about the Worksheet. If a financial advisor has completed the Worksheet, it is appropriate to place the financial advisor’s contact information on these lines.

**Line 1: 2017 Pay 2018 Base Assessed Value of Allocation Area**
The most recent base assessed value for the allocation area from the current tax year. The base assessed value is the amount of assessed value from the parcels included in the allocation area that was included in the tax base for the overlapping taxing units (county, township, city/town, school, library, and special districts). This should be the value after the Pay 2018 neutralization factor was applied and should also include any adjustments that occurred from assessed value certification to tax billing for Pay 2018. This could include, but is not limited to, any adjustments due to appeals or filing of deduction forms since certification.

TIF pass-through, if any existed, should not be included in the calculation of base assessed value.

**Line 2: 2017 Pay 2018 Incremental Assessed Value of Allocation Area**
The most recent incremental assessed value for the allocation area from the current tax year. The incremental assessed value is the amount of assessed value from the parcels
included in the allocation area that was eligible to be captured by the redevelopment commission. This should be the value after the Pay 2018 neutralization factor was applied and should also include any adjustments that occurred from assessed value certification to tax billing for Pay 2018. This could include, but is not limited to, any adjustments due to appeals or filing of deduction forms since certification.

TIF pass-through, if any existed, should be included in the calculation of incremental assessed value.

**Line 3: 2017 Pay 2018 Net Assessed Value of Allocation**
This is a calculated field. It is the sum of Lines 1 and 2.

**Line 4: 2018 Pay 2019 Net Assessed Value of Allocation Area**
The most current net assessed value available for the allocation area. This value should include any adjustments to net assessed value due to annual adjustment or reassessment. It should also include the application of any deductions and exemptions.

**Line 5: 2018 Pay 2019 Net Assessed Value Growth in Allocation Area Due to New Construction or a Change in Tax Status**
In order to isolate the effect of annual adjustment or reassessment on the net assessed values, changes in assessed value associated with actual construction must be removed from consideration. The Worksheet preparer should identify new construction that has occurred in the allocation area since January 1, 2017. Possible sources for this information would include, but are not limited to, local officials, building permits, and property record cards. Additionally, the Worksheet preparer should identify parcels that have experienced a change in property tax status, such as tax-exempt to taxable or a change in land use that would impact assessed values.

**Line 6: 2018 Pay 2019 Net Assessed Value Decrease in Allocation Area Due to Demolition or a Change in Tax Status**
In order to isolate the effect of annual adjustment or reassessment on the net assessed values, changes in assessed value associated with demolition must be added back into the allocation area net assessed value to determine what the allocation area net assessed value would have been had the demolition not occurred. The Worksheet preparer should identify demolition that has occurred in the allocation area since January 1, 2017. Possible sources for this information would include, but are not limited to, local officials, building permits, and property record cards. Additionally, the Worksheet preparer should identify parcels that have experienced a change in property tax status, such as taxable to tax-exempt or a change in land use that would impact assessed values.

**Line 7: 2018 Pay 2019 Net Assessed Value Growth as a Result of Abatement Roll-Off in Allocation Area**
Similar to Line 5 above, it is necessary to remove increases in assessed value associated with abatement roll-off from consideration in order to isolate the impact of annual adjustment or reassessment on net assessed values in the allocation area. The Worksheet preparer should utilize available abatement information to identify abatements existing
within the allocation area and compute the amount of assessed value that was added to
the allocation area from Pay 2018 to Pay 2019 due to abatement roll-off.

**Line 8: Estimated Assessed Value Decrease Due to 2018 Pay 2019 Appeals Settlements in Allocation Area**

Due to the timing of when the Worksheet is completed and approved as compared to the
actual billing for Pay 2019, it is possible that the assessed value of the allocation area
changes due to the settlement of appeals. This line represents an allowance for appeals
that will be settled between Pay 2019 net assessed value certification and tax billing. In
estimating this number, the Worksheet preparer may consult with the county assessor to
determine the amount of appeals anticipated to be settled during the tax year and the
approximate value of these appeals.


Line 9 is a calculated field. It is designed to provide a comparable tax base in the
allocation area to the tax base that existed in Pay 2018. To arrive at this value, the
Worksheet adds Line 4 and Line 6, then subtracts Lines 5, 7, and 8.

**Line 10: 2018 Pay 2019 Neutralization Factor**

Line 10 is a calculated field. It is the calculation of the actual base neutralization factor
that will be applied to the allocation area within the county’s tax and billing system. It
represents an approximation of the change in net assessed value that is due to annual
adjustment or reassessment. It is calculated by dividing Line 9 by Line 3. It should be
rounded to five decimal places.

**Line 11: 2018 Pay 2019 Adjusted Base Assessed Value of Allocation Area –**

Line 11 is a calculated field. It is an estimate of the base assessed value in the allocation
area for Pay 2019. It is calculated by taking Line 1 (2017 Pay 2018 base assessed value)
and multiplying it by Line 10 (Pay 2019 neutralization factor).

**Line 12: 2018 Pay 2019 Incremental Assessed Value of Allocation Area –**

Line 12 is a calculated field. It is an estimate of the incremental assessed value in the
allocation area for Pay 2019. It is calculated by taking Line 4 (2018 Pay 2019 net
assessed value) and subtracting Line 11 (Pay 2019 base assessed value).

**Line 13: Estimated 2018 Pay 2019 Tax Rate for the Allocation Area –**

Lines 13 and 14 are informational only and do not factor into the actual calculation of the
base neutralization factor. In order to estimate the amount of incremental revenue that
may be derived in the allocation area, the Worksheet preparer should estimate the tax rate
that may apply to the allocation area in Pay 2019. To do this, the Worksheet preparer
should utilize current tax rates in the allocation area and estimate the impact that changes
in assessed values, additional debt, or other levy changes may have on the tax rate. The
tax rate should be rounded to four decimal places. For TIF districts that are in more than
one taxing district, an estimated average tax rate should be used.
**Line 14: Estimated 2018 Pay 2019 Incremental Tax Revenue** –

Lines 13 and 14 are informational only and do not factor into the actual calculation of the base neutralization factor. Line 14 represents the estimated amount of incremental revenue that may be derived in the allocation area in Pay 2019. It is a calculated field. It is calculated by taking Line 12 (Pay 2019 incremental assessed value), dividing it by 100, and then multiplying by Line 13 (Pay 2019 estimated tax rate).

If you have any questions on the information above or on the Worksheet, please contact Fred Van Dorp, Budget Director, at fvandorp@dlgf.in.gov or (317) 234-3937.