



New Assessor Training Budget Workshop

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New Assessor Training

- Budgets
- Definitions
- Deductions
- Exemptions
- Abatements
- Tax Increment Financing
- Questions



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I. Budgets:

- Great deference is given to local control in matters pertaining to assessments, appeals, office management/staffing, and budgets.
- I.C. 6-1.1-4-27.5 **Property reassessment fund; tax levies; petition to increase levy; appeal**
- Sec. 27.5. (a) The auditor of each county ***shall establish a property reassessment fund***. The county treasurer shall deposit all collections resulting from the property taxes that the county levies for the county's property reassessment fund.



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(b) With respect to a reassessment of real property under a county's reassessment plan under section 4.2 of this chapter, **the county council of each county shall, for property taxes due each year, levy against all the taxable property in the county an amount equal to the estimated costs of the reassessment under section 28.5 of this chapter for the group of parcels to be reassessed in that year.**



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I.C. 6-1.1-4-28.5

- Property reassessment funds; use of money; soil maps
- Sec. 28.5. (a) Money assigned to a property reassessment fund under section 27.5 of this chapter may be used **only** to pay the costs of:
 - 1) the ***reassessment of one (1) or more groups of parcels*** under a county's reassessment plan prepared under section 4.2 of this chapter, including the computerization of assessment records;



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- 2) ***payments to assessing officials*** and hearing officers for county property tax assessment boards of appeals under IC 6-1.1-35.2;
- 3) the development or ***updating of detailed soil survey data*** by the United States Department of Agriculture or its successor agency;
- 4) the ***updating of plat books***;



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- 5) *payments for the salary of permanent staff or for the contractual services of temporary staff* who are necessary to assist assessing officials;
- 6) making *annual adjustments* under section 4.5 of this chapter; and
- 7) the verification under 50 IAC 21-3-2 of *sales disclosure forms* forwarded to: (A) the county assessor; or (B) township assessors (if any); under IC 6-1.1-5.5-3. ***Money in a property tax reassessment fund may not be transferred or reassigned to any other fund*** and may not be used for any purposes other than those set forth in this section.



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(b) All counties shall use modern, detailed soil maps in the reassessment of agricultural land.

(c) The county treasurer of each county shall, in accordance with IC 5-13-9, invest any money accumulated in the property reassessment fund. Any interest received from investment of the money shall be paid into the property reassessment fund.



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(d) An appropriation under this section must be approved by the fiscal body of the county after the review and recommendation of the county assessor. However, in a county with a township assessor in every township, the county assessor does not review an appropriation under this section, and only the fiscal body must approve an appropriation under this section. ***(Emphasis Added)***

- As added by P.L.198-2001, SEC.20. Amended by P.L.228-2005, SEC.10; P.L.88-2005, SEC.7; P.L.1-2006, SEC.131; P.L.154-2006, SEC.2; P.L.1-2007, SEC.39; P.L.219-2007, SEC.14; P.L.146-2008, SEC.79; P.L.112-2012, SEC.18; P.L.5-2015, Sec. 11; P.L.86-2018, Sec. 33.



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- All counties are required to have a reassessment fund according to IC 6-1.1-4-27.5(a).
- A property tax levy is required for reassessment costs under IC 6-1.1-4-27.5(b).
- Statute does not provide a formula to determine the amount of levy nor does it include a minimum or maximum amount to levy for reassessment.
- The Department believes the intent is to finance reassessment with a levy in the reassessment fund.
- However, control is with the county council.



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- Councils may have reduced the levy to the reassessment fund – Why?
- Answer #1: They may have needed more levy in the general fund to finance county operations next year. Both the reassessment fund and county general fund are considered together for calculating the maximum levy.
 - Increases to property tax levies are not to exceed last years maximum amount plus a growth quotient.
 - Effect: If one fund increases more than the growth quotient, the other fund must decrease to remain within the maximum levy.



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- Councils may have reduced the levy to the reassessment fund – Why?
- Answer #2: Council may believe there is sufficient cash balances in reassessment fund; or
 - Conflicting tax policy.
 - Continuing to increase balances was not necessary.
 - They could use the levy to provide other services.
 - They could provide property tax relief.
 - Reduce circuit breaker effects.
 - Offset other tax increases.
 - They can restore the reassessment levy at a future date.



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- Councils may have reduced the appropriations to the reassessment fund – Why?
- (Possible) Answers:
 - Insufficient funding. Budget exceeded available funding.
 - They may believe there is a sufficient budget in the reassessment fund.
 - Goal of council may be to control (reduce) spending.
 - May believe the reassessment budget is excessive.
 - Disagreement over salary and benefit levels.
 - Insufficient information about the budget.



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- When the levy is reduced:
 - Assessor may petition council to restore (increase) the reassessment levy.
 - Document the need for the increased funding.
 - Assessor may appeal to the Department if council denies the petition.
 - The Department will hear the appeal and determine if the additional levy is necessary.
 - Remember that the maximum levy cannot be exceeded.



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- When the Budget is reduced:
 - The assessor may seek an additional appropriation after January 1.
 - Additional appropriations require public notice and a public hearing.
 - Additional appropriations must be approved by the fiscal body (county council).
 - Requires proof of available funding.
 - Since the reassessment fund is supported by property tax, an additional appropriation is also required to be approved by the Department.



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- The Department certifies all budgets, tax rates, and tax levies for all units in every county by fund.
 - Prior to certification, the Department sends to the fiscal officers a “1782 Notice” showing the actions taken by the Department.
 - Notice shows each unit by fund, the auditor’s certified estimate of assessed value, the calculated property tax rate and levy based on all information available to the Department.
 - These amounts will not exceed the advertised or adopted amounts, whichever is less.
 - In some instances, amounts will revert to the previous years amounts.



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- The Department may reduce amounts adopted by fiscal bodies (county councils).
 - The Department will recalculate all tax rates and tax levies based on the certified AV's provided by county auditor's.
 - Typically, certified AV's are higher than those used by the unit for their initial calculations (in the beginning the Department suggests using low AV estimates).
 - If a reassessment levy is reduced, it's probably because a lower AV generated less levy than was adopted or the rate was adopted too low.

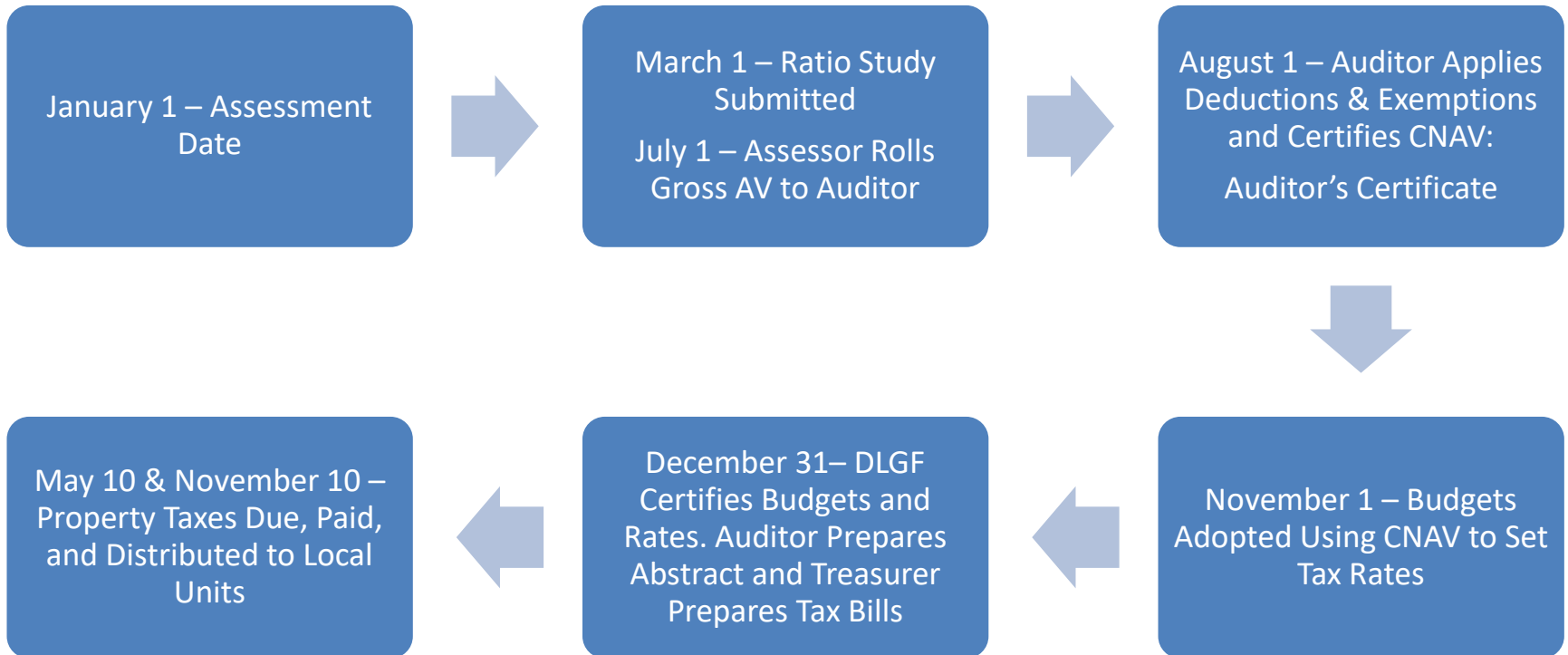


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- Reasons the Department may reduce a reassessment levy:
 - Exceeded amount advertised.
 - Exceeded amount adopted.
 - Assessed value decreased.
 - Rate was adopted too low.
 - Levy (combination of general and reassessment funds) exceeded the maximum levy allowed.
 - Budget not advertised properly.
 - Budget not adopted properly.
 - Council failed to make budget recommendation.



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- Timeline:
 - January 1 is assessment and valuation date for all tangible property except annually assessed mobile homes.
 - March 15 is the deadline for auditors to prepare and deliver a certified copy of the abstract of property, assessments, taxes, deductions, and exemptions for taxes payable in current year by tax district.
 - For 2019, April 15 is the deadline for treasurers to mail property tax bills for taxes due on May 10.



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- Auditor's Certificate of Net Assessed Values: real and personal property assessments, less deductions and exemptions for estimating taxes, tax levies, and tax rates to be charged.
 - Assessors roll Gross real and personal property AV's to auditor. (IC 6-1.1-3-17(b); IC 6-1.1-5-14)
 - Auditor applies all applicable deductions and exemptions to arrive at Net AV's.
 - Net AV's are the tax base for local units of government.
 - Tax Levy = (Net Assessed Value/100) X Tax Rate



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- IC 6-1.1-17-1
- On or before August 1 of each year the county auditor is to send to each unit in the county:
 - Information concerning the assessed value of property in the county for the next calendar year.
 - An estimate of taxes to be distributed during the last six months of the current year.
 - The current assessed value as shown on the abstract.
 - The average growth in assessed value for the unit over the past three years as adjusted by the procedures of the Department while adjusting for reassessment.
 - Any other information at the auditor's disposal that might affect the assessed value in the budget adoption process.



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II. Definitions:

- **Deductions:** A reduction in the assessed value being taxed.
- **Exemptions:** Exemptions excludes property from assessment.
- **Credits:** Credits reduce the amount of the property tax bill.
- **Abatements:** Abatements are a cancelation of a tax liability.
- **Tax Increment Financing:** A process for capturing the taxes paid by property owners.



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III. Deductions:

- A deduction reduces the assessed value being taxed.
- Deductions are specifically described and allowed in the Indiana Code.
- Most deductions have maximum amounts or percentage limits.
- Most deductions have eligibility requirements.
- Most deductions can be combined with other deductions.



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- Homestead Standard Deduction:
 - Lesser of \$45,000 or 60% of the gross AV of the property.
 - Applies to the dwelling (and those structures, such as decks and patios attached to the dwelling) and the surrounding acre (even if the acre straddles multiple parcels).
 - Applies to property that is the applicant's principal place of residence, meaning the individual's true, fixed, permanent home to which the individual has the intention of returning after an absence.
- Supplemental Homestead Deduction:
 - Applied to the net AV resulting after application of the standard homestead deduction.
 - Deduction equals 35% of the net AV (if the net is less than \$600,000) or 25% of the net AV (if the net is greater than \$600,000).



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- Energy Deductions:
 - Solar Energy Heating or Cooling System (deduction equals the out-of-pocket expenditures for the components and labor).
 - Solar Power Device, Wind Power Device, Hydroelectric Power Device, Geothermal Device (deduction equals the AV of the property with the device less the AV of the property without the device [for a solar power device assessed as distributable or personal property, the deduction equals the AV of the device]).
 - Please note: hydroelectric and geothermal devices must be certified by the Indiana Department of Environmental Management (if certified, subsequent owner does NOT need to seek certification again).



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- Mortgage:
 - Lesser of: \$3,000, balance of mortgage or contract indebtedness on assessment date, or one-half of the total AV of property.
 - A person may not have more than one mortgage deduction in his name. However, if a married couple owns two pieces of property and each property is mortgaged in the spouses' names, one spouse could have a mortgage deduction in his name on one property while the other spouse has a mortgage deduction in her name on the other property. Likewise, if a person owns a business (e.g., LLC), the person could have a mortgage deduction in his name and the business could have a mortgage deduction in its name.



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- Over 65 Deduction:
 - Lesser of one-half of the gross AV of the property or \$12,480.
 - Applicant must have owned (or been buying) the property for at least one year before “claiming” the deduction.
 - Applicant and any joint tenants or tenants in common must reside on the property.
 - Combined, adjusted gross income of applicant and applicant’s spouse or applicant and any joint tenants or tenants in common for preceding year did not exceed \$25,000.
 - AV of property cannot exceed \$182,430.
 - Applicant must be at least 65 by December 31 of the year preceding the year in which the deduction is claimed.
 - The same person cannot have the over 65 deduction in conjunction with deductions other than the homestead, mortgage, and fertilizer storage deductions.
 - The deduction cannot be denied on the basis that the recipient is away from the property while in a hospital or nursing home.
 - If any joint tenants or tenants in common are not at least 65, the deduction is reduced by a fraction.



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- Over 65 Circuit Breaker:
 - Credit prevents recipient's homestead tax liability from increasing by more than 2% over previous year.
- Applicant must have been eligible for homestead deduction in preceding year as well as current year.
- If applicant filed individual income tax return for preceding year, income cannot have exceeded \$30,000 (or \$40,000 if filed jointly with spouse).
- Gross AV of homestead cannot exceed \$160,000.
- No restrictions on combining credit with other deductions;
- Applicant is or will be at least 65 on or before December 31 of the calendar year immediately preceding the current calendar year.



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- Blind/Disabled Person Deduction:
 - Deduction is \$12,480.
 - Applicant must use property as principal place of residence.
 - Applicant must own or be buying the property under recorded contract.
 - Applicant must provide proof of blindness or disability.
 - Applicant's individual income for preceding year did not exceed \$17,000.



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- Totally Disabled Veteran or Veteran at Least 62 with Disability of 10% or More:
 - Maximum deduction \$12,480.
 - Applicant served at least 90 days in U.S. military and received honorable discharge.
 - Assessed value of all of applicant's tangible property does not exceed \$175,000.
 - May be combined with all other deductions except over 65.
- Veteran with Service Connected Disability – Applicant received an honorable discharge after serving in U.S. military or naval forces during any of its wars; Applicant has a service connected disability of at least 10%.
 - Deduction limited to \$24,960.
 - Deduction may be combined with all other deductions except Over 65 and Surviving Spouse of WW1 Veteran Deduction.



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- Indiana Code 6-1.1-12-40.5 provides that the total deductions applicable to a mobile/manufactured home, not assessed as real estate, may not exceed one-half of the assessed valuation of the mobile/manufactured home (this does not apply to the supplemental homestead deduction).



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- Credits reduce the amount of the property tax bill:
 - **Circuit Breaker Credits:** a taxpayer protection that limits the amount of tax liability to a percent of the value of the type of property.
 - **Homestead Credits:** Some counties have adopted local homestead credits where a local option income tax pays a portion of the tax bill.
 - **Over 65 Credit:** IC 6-1.1-20.6-8.5



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- Legal Basis for **Exemptions**:
 - Article 10, Section 1 of the Indiana Constitution permits the Legislature to exempt certain classes of property from property taxation.
 - IC 6-1.1-10 contains most of the exemptions available, but exemptions may be found throughout the Code.
 - Exemption procedures are found in IC 6-1.1-11. The procedures include application requirements, deadlines, and other conditions.



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- Legal Basis continued:
 - An exemption is a privilege, not a right.
 - An exemption is a privilege which may be waived by a person who owns tangible property that qualifies for the exemption. (IC 6-1.1-11-1)
 - Burden is on the applicant to show that the predominant part of the property claimed to be exempt is substantially related to the exercise or performance of the applicant's exempt purpose (IC 6-1.1-11-3(d)).



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- Distinctions:
 - **Exemption** – property is not taxable
 - Such as churches and charitable organizations.
 - **Deduction** – Reduces the taxable AV of a property by a fixed dollar amount.
 - Homestead, Mortgage, Over 65, and Disabled Veteran are examples.
 - **Credit** – Reduces the net tax bill by a designated percentage or prevents a tax bill from exceeding a certain percentage.
 - Circuit Breakers, Over 65, and LOIT Homestead.



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IV. Exemptions:

- Application is filed with the county assessor on or before April 1 of the assessment year.
- Exemption application is not required if the exempt property is owned by the United States, the state, an agency of the state, or a political subdivision (as defined by IC 36-1-2-13). This exception applies only when the property is used, and in the case real property occupied, by the owner.



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IC 6-1.1-11-4(d):

- The application must be re-filed every even year unless:
- the exempt property is:
 - (A) tangible property used for religious purposes described in IC 6-1.1-10-21;
 - (B) tangible property owned by a church or religious society used for educational purposes described in IC 6-1.1-10-16;
 - (C) other tangible property owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes described in IC 6-1.1-10-16; or
 - (D) other tangible property owned by a fraternity or sorority (as defined in IC 6-1.1-10-24). ***(Emphasis added)***



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- (2) the exemption application referred to in section 3 or 3.5 of this chapter was filed properly at least once for a religious use under IC 6-1.1-10-21, an educational, literary, scientific, religious, or charitable use under IC 6-1.1-10-16, or use by a fraternity or sorority under IC 6-1.1-10-24; and
- (3) the property continues to meet the requirements for an exemption under IC 6-1.1-10-16, IC 6-1.1-10-21, or IC 6-1.1-10-24.



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V. Abatements:

- Abatements are a suspension or forgiveness of future tax liabilities. Liability for taxes resumes at the expiration of the term of the abatement.
 - Abatements are used to induce economic development.
 - Commonly used to attract or stimulate new commercial or industrial development.



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VI. Tax Increment Financing (TIF):

- TIF is a tool used to capture increased taxes from future developments to help pay for the development.
 - Theory is that the taxes would not have been there if not for new development and the new development would not have been there if not for the TIF.
 - Typically, TIF is used to finance the infrastructure needed to support the development.
 - New road construction
 - Sewer construction
 - Extending water lines, etc.



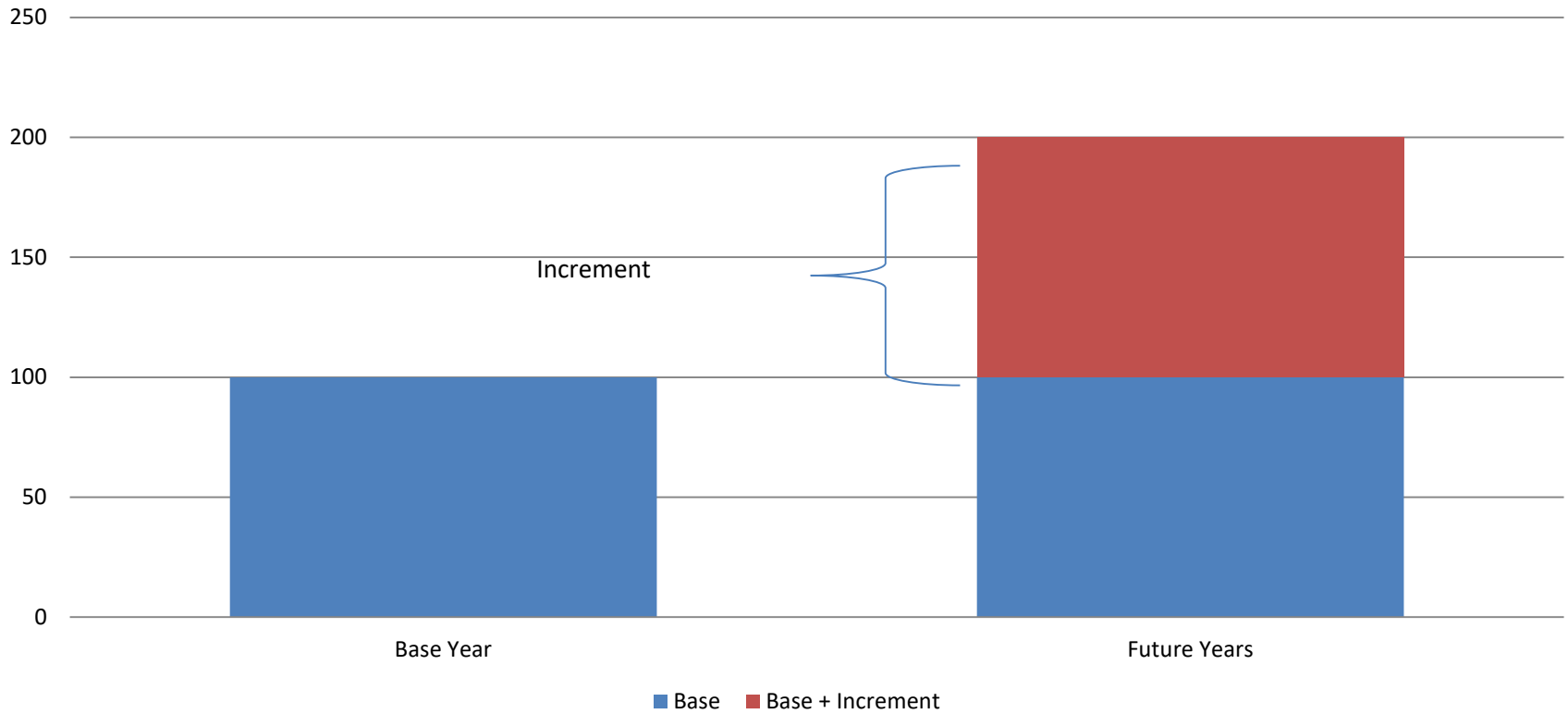
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- TIF revenues are normally used for debt service payments or lease payments.
 - Some units use TIF as a “pay as you go” redevelopment financing mechanism.
- Property owners in a TIF district are still protected by circuit breaker limits (to tax liability).
- Tax levies paid to a TIF district are included in the tax revenues reported by county auditors but are then subtracted so the “net” or “base” assessed value is not affected. (Since the revenue is not distributed to the civil taxing units, the taxable property value is not shown as tax base for the unit when determining the tax rates or tax levies).



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TIF Model





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- **Abstract (IC 6-1.1-22-5):**
- ***“...the county auditor shall prepare and deliver to the auditor of state and the county treasurer a certified copy of an **abstract** of the **property, assessments, taxes, deductions, and exemptions for taxes payable in that year in each taxing district of the county.** The county auditor shall prepare the abstract in such a manner that the information concerning **property tax deductions reflects the total amount of each type of deduction.** The abstract shall also contain a **statement of the taxes and penalties unpaid in each taxing unit at the time of the last settlement** between the county auditor and county treasurer and the status of these delinquencies.” **(Emphasis added)*****



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- Auditor's Certificate takes gross assessed values and deducts deductions, exemptions, and TIF to estimate the base net assessed value.
- The abstract takes the gross amount of taxes to be billed and adjusts for tax credits, exemptions, TIF, abatements, and other adjustments to determine the amount of taxes to be billed.
 - Auditor's Abstract Manual:
http://www.in.gov/auditor/files/2013_Spring_Abstract_Manual.pdf



Questions ??????



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