



Property Tax Reassessment:

Issues in Implementation

December 2001

**A report of the
Indiana Advisory Commission on Intergovernmental Relations**

342 North Senate Avenue
Indianapolis, IN 46204-1708

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December 17, 2001

The Honorable Frank O'Bannon
The Honorable Robert D. Garton
The Honorable John R. Gregg
The Honorable Randall T. Shepard

Dear Gentlemen:

The Indiana Advisory Commission on Intergovernmental Relations (IACIR) is pleased to send for your review and consideration our report, *Property Tax Reassessment: Issues in Implementation*. The IACIR is a statutory commission comprised of 26 members who represent the legislature, the executive branch of state government, counties, municipalities, townships, other local governments, and citizens. The IACIR held five forums throughout the state in October and November 2001, on the implementation of reassessment. These forums focused on administrative and technical issues related to the Tax Court-ordered changes in reassessment. This report summarizes issues raised by more than 200 people who participated in the forums.

At the forums, the IACIR commissioners heard from participants that:

- 1) Many state and local officials and many Hoosiers seem unaware of the impending changes, do not understand their likely consequences, or seem frustrated by the degree of uncertainty and the lack of communication about these changes.
- 2) Reassessment as mandated by the Tax Court cannot be completed fully by March 2002.
- 3) Reassessment under the new rules will affect taxpayers and communities differently and, although some taxpayers will benefit, reassessment may have greater impacts on people who own older homes and businesses that maintain large inventories.
- 4) Reassessment will result in significant increases in the number of appeals of assessments, which will stress a new appeals process and make it unlikely that officials can respond within specified time frames.
- 5) Reassessment poses new technical and administrative challenges for local officials and could be complicated and delayed further by personnel turnovers in assessors' offices.
- 6) The state can help ensure fairness and equity and mitigate the adverse effects of reassessment with short- and long-range strategies, such as providing information and assistance to local governments and modifying the current system of local government finance.

The IACIR believes that the problems with implementation of reassessment are significant. Although no one can predict the outcomes of the processes that a re-unfolding, it appears highly likely that most counties in Indiana will be unable to certify their assessments by March 2002.

Citizens at the forums said they want fair, clear methods of assessment. Local officials want to provide fair, efficient assessment for taxpayers in their communities. To move forward with budgetary processes, local officials need to confirm tax bills and assessed values in their communities. Although the court-ordered changes in assessment practices are designed to make assessment fairer and clearer, the task of reassessment is large and complex and takes time. Local officials believe that time available since publication of the new rules for assessment is not sufficient for most counties to complete reassessment by the specified deadline. Many people believe, however, that there still is time for elected and appointed officials from all levels of government to at least address some of the issues that we face.

People at the forums suggested many different strategies for addressing the problems associated with reassessment, including problems in timing. These strategies are outlined in the report.

The IACIR encourages leaders from the Administration, the General Assembly, and the judicial branch to work with local governmental officials and their representatives to address these issues in whatever ways possible within the short time remaining before March 2002.

IACIR commissioners would like to acknowledge the ongoing efforts of the thousands of elected and appointed officials at all levels of Indiana government who are working hard on reassessment and related issues. We appreciate their efforts and hope that the findings we present in our report prove useful to them as they continue their hard work.

IACIR commissioners and staff are available to answer questions regarding this report and the comments made by participants in the forums. Please do not hesitate to contact us if we can be of assistance.

On behalf of the Indiana Advisory Commission on Intergovernmental Relations,



Senator Beverly Gard
Chair



Representative Sheila Klinker
Vice-chair

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Center for Urban Policy and the Environment

Indiana Association of Cities and Towns

Association of Indiana Counties

Indiana Township Association

Indiana State Board of Tax Commissioners

Jon Laramore, Lisa Acobert, and Melissa Henson

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EXECUTIVE SUMMARY

The state of Indiana, like many states in the United States, historically has relied on taxes on real and personal property to fund many aspects of local government. In 1998 the Indiana Supreme Court held that the state's method for the assessment of real property was unconstitutional. The Indiana Tax Court subsequently ruled that the Indiana State Board of Tax Commissioners (ISBTC) had to adopt new regulations for the assessment of real property by June 1, 2001, and indicated that a market value assessment system would be constitutional. The Tax Court further ruled that reassessment under the new rules had to be completed by March 1, 2002. The ISBTC adopted new regulations for the assessment of real property in May 2001, and an additional rule regarding the assessment of personal property in early November 2001.

The Indiana Advisory Commission on Intergovernmental Relations (IACIR) was established by the Indiana General Assembly in 1995 to study issues in intergovernmental relations in Indiana. The IACIR includes representatives from the General Assembly; state administration; regional, county, municipal, and township governments; and citizens. In FY 2001, the IACIR adopted the issue of court-mandated changes to the Indiana property tax assessment regulations as its focus.

To address intergovernmental concerns that have arisen as a result of reassessment, the IACIR, in cooperation with the Indiana Association of Cities and Towns, the Association of Indiana Counties, and the Indiana Township Association, held a series of five public forums on reassessment in Lafayette, Seymour, Evansville, Noblesville, and Fort Wayne between October 23 and November 12, 2001. The forums, which were designed both to educate participants and solicit their opinions, asked participants to discuss and report on four questions about their major concerns, additional assistance needed, and recommended strategies to minimize the adverse effects of reassessment.

Participants in the IACIR forums raised many concerns and also identified some strategies for addressing their concerns. **The IACIR believes that the problems with implementation of reassessment are significant.** From among these many concerns, the IACIR has identified six key issues:

- 1) Many state and local officials and many Hoosiers seem unaware of the impending changes, do not understand their likely consequences, or seem frustrated by the degree of uncertainty and the lack of communication about these changes.

Example Strategy

Forum participants frequently suggested a statewide public education and awareness campaign to explain the pending changes, help bridge gaps between various groups of stakeholders, and better prepare the public for the coming changes in their tax bills.

- 2) Reassessment as mandated by the Tax Court cannot be completed fully by March 2002.

Example Strategies

- State and/or local officials request that the Tax Court delay the March 2002 deadline, allowing more time for completion of a quality reassessment under the new rules.
 - The General Assembly pushes back statutory budgetary timelines to provide local officials more time to certify the assessments and resolve issues related to contested assessments, but possibly necessitating extension of the fiscal year and cutting short the next fiscal year.
 - The General Assembly authorizes assessors to certify current year assessments based on previous assessed values while proceeding with reassessment under the new rules to be applied in 2003 and payable in 2004.
- 3) Reassessment under the new rules will affect taxpayers and communities differently and, although some taxpayers will benefit, reassessment may have greater impacts on people who own older homes and businesses that maintain large inventories.

Example Strategy

Most of the participants said that the best way to mitigate effects was to modify the state's fiscal system (see Key Issue #6).

- 4) Reassessment will result in significant increases in the number of appeals of assessments, which will stress a new appeals process and make it unlikely that officials can respond within specified time frames.

Example Strategy

Participants did not identify strategies for dealing with appeals, citing the large degree of uncertainty and a lack of flexibility in the process as limitations to adequately addressing this issue. However, strategies to educate the public about reassessment, to extend deadlines for reassessment, and to mitigate impacts also would address problems associated with appeals.

- 5) Reassessment poses new technical and administrative challenges for local officials and could be complicated and delayed further by personnel turnovers in assessors' offices.

Example Strategy

Participants agreed that local and state officials needed to communicate with and learn from each other more. Although people recognized the efforts of the ISBTC and professional associations such as the Indiana

Association of Cities and Towns, the Association of Indiana Counties, and the Indiana Township Association, they said that additional assistance and training were important. Funding and resources are obstacles to increasing competencies and need to be addressed systematically over time.

- 6) The state can help ensure fairness and equity and mitigate the adverse effects of reassessment with short- and long-range strategies, such as providing information and assistance to local governments and modifying the current system of local government finance.

Example Strategies

Several possible strategies were consistently recommended at each of the hearings. These include:

- State works with local governments to adapt local budgeting schedules to reassessment timelines
- Restructure taxes to reduce local government reliance on property taxes and shift responsibility for education and welfare funding to the state
- Increase other revenue sources such as sales, gasoline, and income taxes
- Utilize other tax relief tools such as tax abatement for the elderly, historic credits for older homes, and further extend the use of the Homestead Credit
- Enhance local government flexibility by increasing revenue options at the local level and allowing more options for “phasing-in” reassessment under the new rules
- Further examine strategies used by other states when implementing similar assessment methods

I. INTRODUCTION

The state of Indiana, like many states in the United States, historically has relied on taxes on real and personal property to fund many aspects of local government. In 1998 the Indiana Supreme Court held that the state method for the assessment of real property was unconstitutional. The Indiana Tax Court subsequently ruled that the Indiana State Board of Tax Commissioners (ISBTC) had to adopt new regulations for the assessment of real property by June 1, 2001, and indicated that a market value assessment system would be constitutional. The Tax Court further ruled that reassessment under the new rules had to be completed by March 1, 2002.

TAX BOARD ADOPTS NEW REGULATIONS

The ISBTC adopted new regulations for the assessment of real property in May 2001, and an additional rule regarding the assessment of personal property in early November 2001. State and local officials and citizens throughout Indiana have voiced concerns about the potential impacts of these changes. These concerns include:

- Changes in the assessment of property will shift the property tax burden among classes of property, with residential property generally paying more than they do now and commercial and industrial property generally paying less.
- Local assessors and other government officials will be unable to implement the complex new rules for assessment in the short period of time available.
- Other local government administrative and budgetary processes and financial tools may be affected (e.g., tax abatements and tax increment financing (TIF)).
- Effects on homeowners, other taxpayers, and local governments may be significant enough to warrant changing the state fiscal system.

INDIANA ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS FORUMS

The Indiana Advisory Commission on Intergovernmental Relations (IACIR) was established by the Indiana General Assembly in 1995 to study issues in intergovernmental relations in Indiana. The IACIR includes representatives from the General Assembly; state administration; regional, county, municipal, and township governments; and citizens. In FY 2001, the IACIR adopted the issue of court-mandated changes to the Indiana property tax assessment regulations as its focus.

To address intergovernmental concerns that have arisen as a result of reassessment, the IACIR, in cooperation with the Indiana Association of Cities and Towns, the Association of Indiana Counties, and the Indiana Township Association, held a series of five public forums on reassessment in Lafayette, Seymour, Evansville, Noblesville, and Fort Wayne between October 23 and November 12, 2001.

The forums, which were designed both to educate participants and solicit their opinions, had participants discuss and report on four questions:

1. What are your major concerns about the reassessment process?
2. What additional information and assistance do people need to complete reassessment as quickly as possible?
3. Assuming that reassessment cannot be completed by March 2002, how will you respond?
4. What strategies and actions do you recommend to minimize the adverse effects on taxpayers whose taxes will increase as a result of reassessment?

CONTENTS OF THIS REPORT

This report summarizes the findings of the IACIR forums. Following this introduction, Section II includes a brief history of property tax assessment practices in Indiana, including recent changes. This section includes a description of the ISBTC property tax assessment regulations for both real and personal property before and after the court held the state regulations unconstitutional. Section II also describes the steps involved in reassessment and illustrates the budgetary timeline followed by state and local officials.

Section III summarizes comments made by participants in response to the four questions asked in the forums. Public concerns about the reassessment include tax shifts, problems in administering new assessment rules, and the effects on stakeholders, particularly taxpayers on fixed incomes. Participants believe that assessors need more time and training to complete reassessment and local governments need more flexibility and assistance in responding to taxpayer concerns about reassessment. Participants made a number of suggestions about ways of coping with the looming deadline, most of which involve seeking delays of court ordered or statutory budgetary deadlines. Participants also made many suggestions about ways to minimize the effects on taxpayers, many of which concern modifying the state fiscal system.

This report concludes with a discussion of key administrative and policy issues derived from the information gathered through this effort. The emphasis of the report is on the possible effects of reassessment. Although proposals for tax restructuring were made prior to these forums, and participants in the forums did discuss tax restructuring, restructuring was not the primary focus of the forums or this report. In addition, since these forums were held, considerable debate has arisen over the state's fiscal condition. This report does not address the state's fiscal condition. Other units in state government are holding hearings to solicit public opinion on specific proposals for restructuring and on the state's fiscal condition.

II. PROPERTY TAX ASSESSMENT IN INDIANA

Some background information on the system of property tax assessment in Indiana is important for understanding the complexity of the assessment process and issues raised by reassessment. This section describes changes in assessment procedures that will occur with reassessment, including changes in responsibilities of local officials.

Information in this section is drawn from two primary sources: publications and a Web site (www.in.gov/taxcomm/) maintained by the ISBTC and a book by David J. Bennett entitled, *Uniform and Equal: Why the Courts Overturned Indiana's Property Tax System—and What Happens Next*. Readers interested in additional factual details about assessment may want to consult these sources.

CONSTITUTIONAL BASIS FOR PROPERTY TAXES

The basis for property assessment and taxation is provided in the Indiana Constitution. Article 10, Section 1 states:

The General Assembly shall provide, by law, for a uniform and equal rate of property assessment and taxation and shall prescribe regulations to secure a just valuation for taxation of all property both real and personal.

In 1891, the ISBTC was created to oversee assessment and property tax collection. In 1919, the General Assembly granted the ISBTC authority to standardize the methods of tax assessment and approve tax levies and bond issues. Since that time the ISBTC has administered the state's property tax system.

ASSESSMENT PRACTICES HELD UNCONSTITUTIONAL

In 1998, the Indiana Supreme Court held that the Indiana assessment regulations for real property were unconstitutional. The court ruled that the “cost schedules lack[ed] sufficient relation to objectively verifiable data to ensure uniformity and equality based on property wealth” and that they “lack[ed] meaningful reference to property wealth” as required by the Indiana Constitution (Article 10, Section 1(a)). The court indicated that market value assessment would be constitutional. This decision concluded a complex set of court cases and opinions that began in 1993 with the filing of the *Town of St. John versus the Indiana State Board of Tax Commissioners*.

The Tax Court subsequently ordered that reassessment under new constitutional rules be completed by March 2002 for tax bills that would arrive in March 2003. The Tax Court order also established June 1, 2001, as a deadline for the ISBTC to promulgate new rules for reassessment.

CHANGES IN ASSESSMENT PRACTICES

The Supreme Court rulings, Tax Court orders, and subsequent legislation require new approaches to assessment, including changes in assessment of real property, changes in assessment of personal property, and changes in appeal procedures, all of which imply changes in the responsibilities of local assessors. Table 1, which is adapted from an ISBTC information sheet distributed by IACIR at the reassessment forums, summarizes the most important of these changes.

To understand these changes, it is helpful to understand methods used in assessment. Appraisal practice recognizes three methods to measure property value. These methods are: sales comparison, replacement cost less depreciation, and capitalized net income. The sales comparison approach, which is used to value land, determines a value by reviewing the recent sales prices. Replacement cost less depreciation is used to value improvements and is calculated by developing the replacement cost for an improvement and reducing its value by a depreciation factor. The capitalized net income method is used rarely and will not be discussed further.

Table 2 (see page 6) shows how the sales comparison method and the replacement cost less depreciation methods are used in assessment of real and personal property. Assessed values for real property with improvements are determined using both methods regardless of whether the land is in residential, commercial, or other use. Personal property is assessed using cost less depreciation methods.

Changes in Assessment of Residential Property

As shown in Table 2, real property historically has been valued by determining a value for the land using the comparable sales method and calculating a value for the structures and improvements on the property using the replacement cost less depreciation method. The depreciation factor has been calculated by determining the age of the structure and identifying a grade factor, which is a subjective value determined by assessors according to guidelines. These depreciation factors were included in tables in the regulations and were not related to market values.

The sum of the land and real property values is referred to as the True Tax Value of the property. Until January 1, 2001, the True Tax Value was divided by three to determine the assessed value of the property. After that date, True Tax Value is the same as assessed value by statute. This change was made to eliminate confusion between true tax value and assessed value.

Table 1: Major Changes in 2002 Reassessment Rules

Source: Indiana State Board of Tax Commissioners

Constitutional Standard:

The General Assembly shall provide, by law, for a uniform and equal rate of property assessment and taxation and shall prescribe regulations to secure a just valuation for taxation of all property, both real and personal. Art. 10, Sec. 1, Indiana Constitution.

Real Property Rule

- Unlike the old rule, the new rule specifically defines true tax value: The market value-in-use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property, less that portion of use value representing subsistence housing for its owner.
- Unlike the old rule, the new rule does not prescribe one single system for reaching true tax values. Counties can propose any system for state approval. The State has pre-approved one valuation system embodied in a cost manual, and 91 counties so far have elected to use that system.
- The focus is on the ultimate value—whether it is sufficiently close to market value — not whether the assessor followed all the right steps in a ‘cook-book’ approach to valuation.
- The pre-approved cost manual is derived from the Marshall-Swift commercial valuation service. The pre-approved manual contains a location cost multiplier to account for differences in construction cost in various areas of the State.
- The value produced by application of the cost manual must be adjusted, by a ‘neighborhood factor,’ to reflect actual sales prices of homes in various neighborhoods. Assessors are required to designate neighborhoods based on objective factors, including physical features, governmental boundaries, similarity of housing (e.g. subdivisions), and price information. In short, a neighborhood is the environment of a given property that has a direct and immediate effect on its value. This adjustment, which is used in most market value jurisdictions, is designed to bring assessed values into line with market information.
- The ‘shelter allowance’ applies to all owner-occupied homes. It reduces the assessment by the capitalized cost of basic shelter in each county (ranging from \$16,000 to \$22,000). This allowance excludes from the assessed value the portion that is not ‘property wealth,’ but is required for basic shelter.
- For commercial and industrial properties, the cost manual uses straight line depreciation. There is no adjustment based on sales because most commercial and industrial properties do not have a market price that reflects their value in use.

Personal Property Rule

The Indiana Constitution requires taxation of inventory and business equipment. Art. 10, Sec. 1, Indiana Constitution. The proposed personal property rule makes three major changes from the old rule:

- Under the old rule, there was a blanket exemption of 35% of inventory. The new rule eliminates that exemption.
- Under the old rule, businesses could not depreciate their equipment below 30% of the purchase price. The new rule eliminates this ‘30% floor,’ replacing it with floors representing the salvage value of various assets.
- The new rule depreciates business equipment more slowly than the old rule. That is, under the new rule business equipment is taxed at a higher value at each stage of its useful life to more accurately reflect its actual value. The new rule retains the four pooling schedules of the old rule based on the useful life assigned to each asset for IRS purposes.

Appeals Process

The appeals process changes under HEA 1499, Public Law 151-2001 (effective January 1, 2002).

- The law creates a new, independent state-level appeals agency, the Indiana Board of Tax Review. Previously, state-level administrative appeals were decided by the State Board of Tax Commissioners, the same agency that makes assessing rules.
- The new law makes local assessing officials more involved in defending their assessments at every level, including the Tax Court. The new law streamlines Tax Court review, making it more like judicial review of other State agencies’ decisions.

Table 2: Property Tax Assessment Methods Prior to 2002

<u>Type of Property</u>	<u>Method of Assessment</u>
Real Property	
Land	
Residential	Comparable Sales
Commercial & Industrial	Comparable Sales
Agricultural	\$495, adjusted by soil productivity factor
Improvements	Replacement Cost Less Depreciation
Personal Property	
Machinery & Equipment	Cost, Less Depreciation
Inventory	Cost, Less Inventory Valuation Allowance

Adapted from: Bennett, D.J. (2001). *Uniform and equal: Why the courts overturned Indiana's property tax system—and what happens next*. Fort Wayne, Indiana: Freeman & Costello

Although taxes are based on assessed value, the amount of taxes actually paid by a property owner can be altered by a variety of deductions, credits, or exemptions. Deductions such as the Mortgage Deduction or Homestead Deduction reduce the assessed value. Credits, however, directly reduce the tax liability of property. The state provides a 20 percent replacement credit for all property.

Table 3 (see page 8) illustrates numerically how the concepts in Table 2 have been used historically in assessment of residential land and property to obtain true tax and assessed values in Indiana. Table 3 also indicates how procedures and values will change under new procedures.

For residential land and properties, the main differences between the old and new methods are the use of market-based assessment for real property, the introduction of the shelter allowance, and changes in methods of depreciation. Under the new system, assessed values still are based on true tax values. However, for residential property, True Tax Value now is defined as (www.in.gov/taxcomm/):

The market value in use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property, less that portion of use value representing subsistence housing for its owner.

From an administrative perspective, there is a corresponding change to a focus on whether the final assessment is sufficiently close to market value rather than whether or not the assessor followed the right steps.

The shelter allowance is the means by which the assessment of real property is adjusted to account for the value of subsistence housing. The shelter allowance is calculated by capitalizing the expense of subsistence monthly rent, which is the cost of renting a studio apartment, and allowing for variations in costs by county. Across the state, the value of the shelter allowance ranges from \$16,000 to \$22,000 (see Table 1).

The shelter allowance is controversial, and people have challenged its constitutionality in court. In some instances, for example, the allowance will remove properties from the property tax rolls, thus implying that the structures are beneath subsistence levels. Some people argue that the allowance may disadvantage renters relative to homeowners because it applies only to owner-occupied homes and not to rental properties. As a result, some believe that rents will increase relative to the costs of homeownership, thereby adversely affecting both landowners and renters. No conclusive studies on this issue have been completed.

The most important change in the method of depreciation involves a shift to market-related depreciation that includes the use of neighborhood factors designed to capture the effects of neighborhoods on values. As noted above, depreciation used to be based simply on the age of the home and determined according to tables that bore no direct relationship to markets. Depreciation factors now will incorporate values for entire neighborhoods. Neighborhoods are the environments around properties that have direct and immediate effects on their value. Assessors will be required to designate neighborhoods based on factors such as physical features, government boundaries, similarity of housing stock (e.g., subdivisions), and price information. While some of these factors are objective, others require interpretation and subjective judgments. Because depreciation no longer will be based solely on age, some older properties no longer will benefit from arbitrary depreciation rates. Most experts will agree that on average this will lead to higher property tax bills for older homes. This is cause for concern, especially for homeowners living on lower or fixed incomes.

Another important change in the assessment of real property involves equalization through the use of assessment ratios. Equalization is a process to ensure that all property is uniformly assessed. Assessment ratios, which are factors to ensure that property is assessed equally regardless of its location, can be applied by county, township, and by classes of property within townships.

Table 3: Residential Property Tax Assessment

An Example – Before and After St. John

	Prior Assessment Rules	New Assessment Rules
Value of Attributes of Home:		
Two-story, wood frame, 2000 square feet	\$60,000	Similar Process, But Generally Higher Values
Fireplace	\$1,200	
Patio Deck	<u>\$1,800</u>	
Subtotal	\$63,000	
Adjust for Depreciation		
Home built in 1987		Similar Process, But Depreciation Based on Market Values Using Neighborhood Factors, Higher Values on Average (Under the new process, depreciation adjustment occurs after grade application)
Neighborhood Condition: Good		
Depreciation Factor = 20%	<u>-\$12,600</u>	
Subtotal	\$50,400	
Apply Grade & Design Factor		
Grade and Design Rating = B	<u>x120%</u>	No Change
Quality Grade Factor = 120%	\$60,480	
Add Value of Land		
Residential Lot 60' x 130'	<u>\$5,520</u>	No Change
Equals True Tax Value	\$66,000	
Divide by 3	<u>x 33 1/3%</u>	Eliminated
Equals Gross Assessed Valuation	\$22,000	
Subtract Applicable Deductions		
Homestead Deduction	-\$2,000	Higher Values and New Shelter Allowance
Mortgage Deduction	<u>-\$1,000</u>	
Equals Net Assessed Valuation	\$19,000	Higher on Average

NOTE: AMOUNTS ARE FOR EXAMPLE ONLY AND DO NOT CORRESPOND TO AMOUNTS IN THE REAL PROPERTY ASSESSMENT MANUAL.

Adapted from: Bennett, D. J. (2001). *Uniform and equal: Why the courts overturned Indiana's property tax system—and what happens next*. Fort Wayne, Indiana: Freeman & Costello Press.

As noted above and as illustrated in Table 3, true tax values no longer will be divided by three to obtain assessed values. Partly to offset this change, the Mortgage Deduction and the Standard Deduction available to all homeowners will be three times as large. Because tax levies are capped, higher assessments mean that lower tax rates will be used, and that the use of true tax value directly as assessed value will not affect the relative amounts paid by taxpayers. Confusion over higher assessed values, however, may increase the number of appeals.

Changes in Assessment of Personal Property

All property other than real property is classified as personal property. In Indiana, households are exempt from personal property taxes, although vehicles are assessed an excise tax. Commercial entities historically have been required to pay personal property taxes on equipment and machines as well as on inventory. Each year businesses complete a self-assessment of personal property. Items such as machinery have been valued by identifying the equipment cost and decreasing its value by depreciation. Businesses have not been allowed to depreciate equipment below 30 percent of the purchase price.

The value of inventory has been calculated by selecting an accounting method such as first in-first out (FIFO) or average cost, determining the value of inventory, and then reducing that value by 35 percent to determine the true tax value.

The new rules governing assessment of personal property make three major changes. The new rule eliminates the “30-percent floor” for depreciation and replaces it with a salvage value of various assets. The new rule also depreciates business equipment more slowly. This change means equipment is taxed at a higher rate at each stage of its useful life. The new rule also eliminates the blanket exemption of 35 percent for inventory. This provision has proven very controversial among businesses that maintain high inventories.

Changes in Assessment of Agricultural Property

The value of agricultural land historically has been determined by setting a base value for land with an adjustment for soil productivity and other factors that affect its ability to sustain crops. The new assessment rules increase the base value of farmland from \$495 per acre to \$1,050 per acre but do not affect the determination of soil productivity or other adjustment factors.

Changes in the Roles of Assessors

The new assessment rules change some of the responsibilities of assessors as well as the relationships between county and township assessors. Table 4 (see page 11) details the duties of the various assessing officials under the new system. In addition to permanent changes in responsibilities, the transition to the new system is presenting assessors with a number of challenges.

County assessors take on new responsibilities under the new system, including new responsibilities for directing townships and trustee assessors in procedures to ensure uniform valuation. One of their most important new responsibilities is the selection of a system of valuation. The state has pre-approved one valuation system embodied in a cost manual and 91 counties have adopted this method. Another new responsibility is development and application of equalization factors described above.

Township assessors have new responsibilities for conducting township-level assessment ratio factors. They also must become familiar with other procedures such as defining neighborhoods that are part of the change to a market value system.

Reassessment historically has been challenging for local officials, but the transition to a market system within a relatively short time frame presents additional challenges for many of them. For example, assessors report that it has taken about 20 months on average to complete reassessment of parcels under a well-understood system. Given the timing for completion of reassessment and the date that new manuals were released, assessors have only about seven months to complete this reassessment. Requirements for training and for new software and hardware complicate the reassessment process.

In addition to changing responsibilities under the new assessment process, county assessors also will be affected by new procedures for appeals of assessments. They still participate in appeals taken to the local Property Tax Assessment Board of Appeals, but under the changes, they also are responsible for participating in appeals that are taken to the new independent state-level appellate body (the Indiana Board of Tax Review) and, beyond it, to the Tax Court. County assessors previously had responsibility only through the state administrative level. Some assessors believe that it may be difficult to complete appeals within specified time frame.

Table 4: Responsibilities of Officials Under the New Assessment Process

	Township and Trustee Assessors	County Assessor	Property Tax Assessment Board of Appeals	Indiana State Board of Tax Commissioners
Determining Land Value Base Rates	X			
Directing Township and Trustee Assessors in the uniform valuation of land within the county		X		
Review land value base rates set by township and county assessors; adjust if necessary			X	
Help select and then implement mass appraisal method	X			
Select mass appraisal method with approval of township assessors		X		
Approve mass appraisal methods approved at county level				X
Conduct township-level assessment ratio studies	X			
Conduct county-level assessment ratio studies		X		
Review county-level assessment ratio studies				X

Adapted from: Bennett, D. J. (2001). *Uniform and equal: Why the courts overturned Indiana's property tax system—and what happens next*. Fort Wayne, Indiana: Freeman & Costello Press.

III. HOOSIER PERSPECTIVES ON REASSESSMENT

To make certain that the concerns of Hoosier stakeholders (taxpayers, local officials, etc.) are considered during the reassessment process, the IACIR held five forums across the state (Table 5). The goals of the forums were to:

- increase understanding of problems related to reassessment
- identify alternative strategies for managing problems and choices for solutions
- discuss options for minimizing adverse effects on taxpayers
- collect information for the General Assembly

Not including IACIR members and staff, total attendance at the forums was approximately 210 people. Typical attendance at the forums was approximately 50 people, including an average of six IACIR commissioners, three representatives from co-sponsoring organizations, and one representative of ISBTC per forum.

Table 5: IACIR Reassessment Forums

Date	Qty	Attendance
October 23	Lafayette	50
October 29	Seymour	21
November 1	Evansville	48
November 5	Noblesville	47
November 12	Fort Wayne	44
		Total = 210

The format of the forums differed from the traditional public hearing in that participants were divided into small groups of approximately eight to ten participants per table and, guided by a designated table facilitator, asked to respond to questions posed by IACIR. The format of each forum was similar:

- Welcome and Introduction
- Explanation of Discussion Format
- Presentation of Background and Potential Impacts of Reassessment Under the New Rules
- Facilitated Table Discussion Period
- Conclusions and Wrap-Up

The presentation of background information and potential impacts included a brief summary of issues concerning reassessment under the new rules. Those attending each forum also were provided with a table summarizing the estimated average county changes in tax bills (Appendix 1) and an issue guide (Appendix 2) that

included a more detailed historical background and summary of the effects of reassessment on stakeholders under the new rules.

The main focus of the forums was the facilitated table discussion period. Forum attendees, participating in facilitated table discussions, were asked to address the following four questions¹:

- 1) What are your major concerns about the reassessment process?
- 2) What additional information and assistance do people need to complete reassessment as quickly as possible?
 - For example, do specific sections of the new assessment rules need clarification?
 - Can anything help speed the process of implementing new hardware and software systems?
 - Please make specific suggestions about actions state and local government can take to move the process forward.
- 3) Assuming that reassessment cannot be completed by March 2002, how will you respond?
 - For example, local jurisdictions may have to send tax bills before the assessment is completed. How do you think this problem should be handled?
- 4) What strategies and actions do you recommend to minimize the adverse effects on taxpayers whose taxes will increase as a result of reassessment?
 - What should the IACIR report to the General Assembly?

One member of each group then reported the results of individual table discussions back to the entire forum. IACIR staff maintained a master list of all issues and concerns raised at each of the forums, including written comments received from individuals (Appendix 3). The remainder of this section synthesizes comments received at the five forums.

¹The discussion questions reflect revisions made to original discussion questions based on comments received at the first forum in Lafayette.

1) WHAT ARE YOUR MAJOR CONCERNS ABOUT THE REASSESSMENT PROCESS?**Tax Shifts**

Forum participants shared many concerns about projected tax shifts under the new assessment rules. Table 6 (see page 16) illustrates some of the many issues regarding tax shifts raised by participants. The issues of fairness and equity were often raised, with particular emphasis placed on the owners of older homes. Many fear that low-income and senior taxpayers will be unfairly burdened by the changes. Participants also discussed concerns about the assessors' ability to ensure consistency in a market value assessment, suggesting the system is too subjective. Assessors raised questions about the validity and usefulness of county average tax shift data provided by ISBTC. Many disagree with these estimates.

A large number of participants also stressed the need for communication about the coming changes. Many discussed the need to better educate and inform the presently ill-prepared public. Local officials stressed that uncertainty in the process increases the difficulty in providing adequate answers to questions, further emphasizing that there is currently no good source for information.

Local officials and taxpayers alike sorted through concerns about the effects on business and agricultural property owners in their communities. Most agree that the inventory portion of the new personal property assessment rules will negatively impact small businesses and farms.

Administering New Assessment Rules

The main concerns identified by forum participants were related to timing and fairness (see Table 7, page 17). Most participants agree that the reassessment process will not be completed by the court-mandated deadline of March 2002. Assessors expressed concerns, not only about the time involved in effectively implementing a new system, but also with regards to computer software and hardware, training, and funding. Many citizens also expressed doubts that a market value assessment could be performed consistently and equitably throughout the state.

Table 6: TaxShifts**Fairness and Equity Under the New Rules**

- Low-income families and fixed-income seniors living in older homes cannot afford tax increases
- Small town communities, with predominantly older housing stock will suffer
- No way to ensure consistency and fairness in market value assessment; too subjective
- Application of shelter allowance may not be fair; could negatively impact rental properties
- Where are numbers coming from? Many people disagree with estimates
- Final data will not be averages; individual cases will be problematic
- Large amount of appeals expected will lead to shortfall in revenue; will drive up rates, further increasing the tax burden on those experiencing tax bill increases

Communication and Notice

- Need to inform public; prepare them for coming changes
- Taxpayers are not aware of what is coming; many will be unaware until notified by mortgage companies of escrow shortages
- No clear message; taxpayers in for a shock when they receive their tax bills
- New tax bills will lead to shock; people are ill-informed
- Looking for answers to questions; no good source for information
- Assessors cannot know the effects until the end of assessment process; unable to answer questions concerning impacts

Effects on Business and Agricultural Property Owners

- Equipment and inventory taxes may force industries out
- Personal property rules disastrous for industries
- Businesses most necessary to local development might get hit the hardest
- New rules could negatively impact capital intensive manufacturing companies and hurt economic development efforts
- Confusion over whether farmers will get taxed on all inventory (animals, grain); could force small farmers out of business

Table 7: Administering New Assessment Rules**Timing**

- Need more time; new rules, delays in getting manual, new software, cannot meet deadline
- Personal property rules just passed; no time to do job correctly
- Timing and accuracy are problems for all parties; counties are pressured for time, while municipalities count on accuracy for bond issues
- Court set impossible deadline and did not allow for flexibility
- Not enough time; data collection effort is too great, goes beyond regular assessments
- Hurry-up approach will lead to creation of a tax base relying on bad data
- Assessment should be done slowly and thoughtfully for quality results

Software and Hardware

- Software vendors not yet certified
- Certification involves testing software at both state and county level; county by county certification for all 92 counties eats away more time
- Few counties have installed software
- Many counties not computerized; will need to purchase hardware and software

Staff Time and Training

- Not enough staff time. Software beta site testing indicated 30-minute pricing of residential parcel, industrial parcels take much longer—many counties have more than 20,000 parcels
- New manuals may increase, rather than decrease subjectivity leaving assessors with a lot of decisions
- More appeals than ever expected; not enough staff to handle
- Need actual hands-on training with software
- No resources or budget for training
- Need qualified help to perform market value assessment; no budget for full-time appraiser

Funding

- Budgets have already been set for 2002; no funding to implement new system
- No budget for training or handling appeals
- Need more people and more money (the “cumulative” reassessment fund)
- Delays have led to shortfalls in local budgets for reassessment
- Reassessment is very costly; an increase in the time taken to complete the process may require additional funding
- Need to increase funding and resources necessary for assessing officials to acquire additional training

State and Local Fiscal Procedures

Many local officials also raised concerns about the impact of changes on state and local fiscal procedures. Table 8 illustrates state and local concerns pertaining to budgeting and cash flow, repayment of current tax increment financing (TIF) bonds, and impacts on the school funding formula. Many participants fear that delays in reassessment and anticipated appeals may lead to large revenue shortfalls. Others suggested that TIF bonds may be at risk, particularly in cornfield developments with a low tax base. Others expressed concerns about disruptions in the state portions of school funding due to adjustments in local tax bases.

Table 8: State and Local Fiscal Procedures

Budgeting and Cash Flow

- Local units of government will be hard pressed to meet their budget deadlines and to do any financial planning
- Appeals cause revenue shortfalls and will harshly affect cash flow
- Delays in reassessment will lead to shortfalls in local revenues collected
- Local governments will not be able to prepare budgets because assessed values may not be certified

Repayment of Current TIF Bonds

- How can we protect TIF district bonds?
- TIF bonds may be at risk, especially in cornfield developments with a low base
- What happens to TIF districts if businesses go under or choose to leave due to increased inventory taxes?

School Funding Formula

- Unclear how new rules will impact school funding
- State portions of school funding may be jeopardized in some localities by adjustments in tax base
- Fear of disruptions or shortfalls in school revenues

Effects on Stakeholders

Discussion participants expressed concerns about the effects of the new assessment rules on a variety of stakeholders. Many viewed the increased tax burden placed on senior and low-income residential taxpayers, family-owned farms, and small inventory-intensive businesses as particularly harmful.

Large numbers of participants feared that local economic development efforts will be limited by reducing incentives for attracting and maintaining business and offering no incentives for reinvesting in older residential and commercial properties. Some participants further suggested that the personal property rules discourage investment in new technology and equipment, limiting a community's ability to remain competitive in the global economy.

Local officials also raised concerns over the impact of the new rules on land use, indicating that encouraging new development over redevelopment may contribute to urban sprawl and further decline of inner-city neighborhoods. Others suggested that the personal property rules could place small farms and agricultural land at risk.

Many local officials identified political pressure as a key concern to local governments. Although the reassessment process has been described as "revenue neutral" (total property taxes received by local governments will stay the same), many taxpayers will perceive the process as a tax increase. Additionally, participants indicated that many localities may be forced to rely on the previous year's budget to complete reassessment. This may lead to revenue shortfalls, creating deeper fiscal concerns. Table 9 (see page 20) lists a wide variety of potential effects on stakeholders raised by participants.

Table 9: Effects on Stakeholders**Individuals and Taxpayers**

- Some taxpayers will be blind-sided by impacts of changes
- Family-owned farms and businesses maintaining large inventories may be forced out of business
- Seniors and low-income residents may lose their homes
- Market value assessment may hurt residential property values

Economic Development

- Personal property rules will severely impact large employers that are equipment and inventory intensive
- Reduces local incentives for attracting and maintaining business
- No incentives for reinvesting in older residential and commercial properties
- Personal property rules discourage investment in new technology or equipment
- New rules favor new development over redevelopment
- Revitalization of urban areas may be endangered by the greater impact on older neighborhoods
- Limits economic development tools for local governments

Land Use

- As older homes and rental properties become less affordable, “affordable housing” takes the form of modular homes
- May contribute to urban sprawl
- Increased tax burden on historic neighborhoods
- Personal property rules could put small farmers and agricultural land at risk

State and Local Government

- Many assessing officials face reelection campaigns in 2002; implementing the reassessment at this time may lead many assessors to decide not to run for reelection or may lead to a turnover of many officials at the local level
- Political pressure on local governments as “revenue neutral” tax shifts will appear to many as tax increases
- Localities may have to rely on the previous year’s budget, leading to a shortfall; action will be required to make up for the shortfall

2) WHAT ADDITIONAL INFORMATION AND ASSISTANCE DO PEOPLE NEED TO COMPLETE REASSESSMENT AS QUICKLY AS POSSIBLE?

Forum participants eagerly discussed needed assistance with the reassessment process (Table 10). Local officials commonly identified more time and fiscal flexibility as the items they need most. Assessors also requested technical assistance in expediting software certification and getting software and hardware in place, as well as providing formal hands-on training opportunities. Other participants stressed the need for better communication and educating the public as key to the successful transition to the new system.

Table 10: Assistance Needed by Assessing Officials

Time
<ul style="list-style-type: none"> • Realistic extensions of deadlines with specific reporting requirements needed • More time is needed to establish database and verify information to reflect sales and equalization • Postpone deadlines and allow local governments to certify 2001 data for tax bills payable 2003
Tools
<ul style="list-style-type: none"> • More structured process for getting software and hardware in place • Expedite software certification • Locals need assistance identifying and obtaining necessary hardware • State needs to provide better tools and guidelines to ensure uniform market value system across the state
Training
<ul style="list-style-type: none"> • Need more training and time to gain hands-on experience • Formal training process and technical assistance provided to all localities
Fiscal Flexibility
<ul style="list-style-type: none"> • Fiscal flexibility needed at the local level • Delay local budget process by one to two months to give assessors time to complete assessed values • County treasurers need to allow for a payment schedule for people who have difficulty paying their property taxes
Communication and Education
<ul style="list-style-type: none"> • Need state campaign to educate the public; locals do not have the resources • Local governments need trained, qualified representative to refer questions from the public

3) ASSUMING THAT REASSESSMENT CANNOT BE COMPLETED BY MARCH 2002, HOW SHOULD THE PROBLEM BE HANDLED?

As most participants agree that the reassessment process will not be completed by the court-mandated deadline of March 2002, local budgeting processes will likely be affected. Forum participants offered a variety of potential solutions to this problem (Table 11). The most common involved postponing the reassessment deadline and sending out tax bills based on the previous assessment. Some called for increasing the previous bill by a certain percentage in an effort to begin reflecting the new property tax rates. Other suggestions included waiting to send out the tax bills until the November mailing and borrowing funds to make up for the delay. However, many local officials fear the uncertain consequences of using any of these strategies. One recurring question, will counties and local governments failing to meet the March 2002 deadline be held in contempt of court?

Table 11: Local Responses to Failure to Meet March 2002 Deadline

Postpone Deadline
<ul style="list-style-type: none"> • Make the reassessment adjustment on the fall bill (November) • Treasurers may not be able to send out bills if reassessment is not completed. Timetables for local government budgets may have to be suspended • Use current system one more year; use last year's levy for 2002 payable in 2003; keep working for change for 2003 payable in 2004 • Many counties may have to maintain old systems and begin implementing new assessment software, which could lead to more time delays in transferring data from the old systems
Finding and Maintaining Funding Sources
<ul style="list-style-type: none"> • Increase previous bills by 10 percent for all real estate. • Given the time constraints, the ISBTC may not be able to get approvals back in time • Auditors may need additional approval to certify current values with a given percentage increase • Possibility of sending bills out to largest firms to keep revenue sources intact • Need a state-provided safety net for revenue shortfalls

4) WHAT STRATEGIES AND ACTIONS DO YOU RECOMMEND TO MINIMIZE THE ADVERSE EFFECTS ON TAXPAYERS?

Many participants shared a variety of possible solutions to minimize the impacts of reassessment on taxpayers, namely, homeowners. Table 12 (see page 24) illustrates many of the options identified by discussion participants. The most prevalent response called for increasing the sales tax. The size of the increase varied but most agreed it was important for a specific portion of the increase to go directly to the local governments. Some also supported increases in other taxes such as gasoline and incomes taxes.

Taxpayers suggested the use of tax relief tools such as the shelter allowance and the homestead credit would ease the tax burden. Some offered creative strategies such as an age tax deduction or exemption for elderly homeowners. Local officials underscored the importance of allowing for local government flexibility.

Participants also identified a need for more research on market value property tax assessment methods and suggested that Indiana could learn a great deal by researching processes put in place by other states making the switch to market value assessment.

Table 12: Strategies and Actions to Minimize Adverse Effects**Other Revenue Sources for Funding Local Government**

- Restructure taxes to reduce reliance on property taxes; shift responsibility for education and welfare funding to the state
- Increase the sales tax
- Implement a tax on services
- Increase gasoline taxes
- Use lottery proceeds
- Increase “sin taxes”
- Increase the income tax
- Development of a flat tax
- Put exempt properties on the tax rolls and limit the dollar value of exemptions for non-profit groups; enlist their assistance in paying for local services like police and fire protection

Tax Relief Tools

- Tax abatement for elderly homeowners; may want to freeze property tax for senior citizens
- Increase the Homestead Credit
- The importance of a shelter allowance or historic credit for older homes; this will provide an incentive to fix up older residential and commercial properties
- Phase-in property tax increases; spread the increases over two reassessments
- Place a cap on property increases and limits on property tax decreases

Local Government Flexibility

- Allow schools and local governments to charge impact fees
- Increase revenue options at the local level

Research Options

- Allow local governments to send 2003 tax bills out based on 2001 data while beginning process of implementing assessment under the new rules; this will allow more time for the General Assembly to study the effects and mitigate the impact
- Examine what other states have done when faced with similar circumstances

IV. KEY ISSUES

As noted in Section III, participants in the IACIR forums raised many concerns and also identified some strategies for addressing their concerns. From among these many concerns, the IACIR has identified six key issues:

- 1) Many state and local officials and many Hoosiers seem unaware of the impending changes, do not understand their likely consequences, or seem frustrated by the degree of uncertainty and the lack of communication about these changes.
- 2) Reassessment as mandated by the Tax Court cannot be completed fully by March 2002.
- 3) Reassessment under the new rules will affect taxpayers and communities differently and, although some taxpayers will benefit, reassessment may have greater impacts on people who own older homes and businesses that maintain large inventories.
- 4) Reassessment will result in significant increases in the number of appeals of assessments, which will stress a new appeals process and make it unlikely that officials can respond within specified time frames.
- 5) Reassessment poses new technical and administrative challenges for local officials and could be complicated and delayed further by personnel turnovers in assessors' offices.
- 6) The state can help ensure fairness and equity and mitigate the adverse effects of reassessment with short- and long-range strategies, such as providing information and assistance to local governments and modifying the current system of local government finance.

KEY ISSUE 1: MANY STATE AND LOCAL OFFICIALS AND MANY HOOSIERS SEEM UNAWARE OF THE IMPENDING CHANGES, DO NOT UNDERSTAND THEIR LIKELY CONSEQUENCES, OR SEEM FRUSTRATED BY THE DEGREE OF UNCERTAINTY AND THE LACK OF COMMUNICATION ABOUT THESE CHANGES.

While approximately 210 people attended the forums, participation by taxpayers was mixed, indicating people may not realize the significance of the pending changes or how they personally may be affected. Many of the taxpayers who came to the forums were looking for answers to questions like, “How will reassessment affect me?” Since no one can answer this question in specific terms, they then expressed frustration.

Local officials and taxpayers alike expressed skepticism over the validity of the ISBTC estimates of the average impacts of reassessment on taxpayers and reported anecdotal information indicating that individual taxpayers could experience tax increases of two or three hundred percent. The uncertainty surrounding different perceptions of impacts added to frustration.

More generally, participants expressed frustration over unanswered questions related to the issues ranging from interpretation of new regulations to the legality of the shelter allowance to problems in changing escrow accounts managed by mortgage companies to the consequences of the failure to meet the court-ordered deadline. Some local assessors complained that other county officials did not understand the urgency of the situation and did not provide needed fiscal support, and some local officials consistently voiced concern over taxpayer reactions when new bills eventually are mailed.

Example Strategy:

Forum participants frequently suggested a statewide public education and awareness campaign to explain the pending changes, help bridge gaps between various groups of stakeholders, and better prepare the public for the coming changes in their tax bills.

KEY ISSUE 2: REASSESSMENT AS MANDATED BY THE TAX COURT CANNOT BE COMPLETED FULLY BY MARCH 2002.

Forum participants agreed that reassessment will not be completed by the court-imposed deadline. Although representatives of one or two jurisdictions said it may be possible for them to complete reassessment by March 2002, they also expressed concern and a lack of confidence in the quality of the results because of the lack of time available for quality assurance and quality control.

Specific reasons that reassessment will not be completed by the deadline include:

- The length of time between the date that the new rules were published (August 2001) and the March 2002 assessment deadline is about one-third the time typically required for reassessment and simply insufficient for assessors to reassess the number of parcels in their jurisdictions.
- More than 1,000 local assessors need to learn how to use the new assessment manual and require training. Although local officials praised ISBTC training opportunities held in the fall of 2001, they consistently said additional training is needed to clarify complex, technical issues like how to define neighborhoods.
- Reassessment requires new, state-certified software that in turn will require many jurisdictions to purchase new hardware. Local officials do not know how well historical records can be transferred into new systems, and time will be required to train staff to work on new systems and to debug them.

Example Strategies

- State and/or local officials request that the Tax Court delay the March 2002 deadline, allowing more time for completion of a quality reassessment under the new rules.
- The General Assembly pushes back statutory budgetary timelines to provide local officials more time to certify the assessments and resolve issues related to contested assessments, but possibly necessitating extension of the fiscal year and cutting short the next fiscal year.
- The General Assembly authorizes assessors to certify current year assessments based on previous assessed values while proceeding with reassessment under the new rules to be applied in 2003 and payable in 2004.

KEY ISSUE 3: REASSESSMENT UNDER THE NEW RULES WILL AFFECT TAXPAYERS AND COMMUNITIES DIFFERENTLY AND, ALTHOUGH SOME TAXPAYERS WILL BENEFIT, REASSESSMENT MAY HAVE GREATER IMPACTS ON PEOPLE WHO OWN OLDER HOMES AND BUSINESSES THAT MAINTAIN LARGE INVENTORIES.

One recurring theme that emerged in the forums was concern over the effects of reassessment on residential taxpayers who own older homes and businesses that maintain large inventories. Participants expressed concern that owners of older homes, typically senior citizens on a fixed income and low-income families, do not have the resources to bear higher tax burdens. The uncertainty of the legality of the shelter allowance added to concern about the effects on low-income individuals. Forum participants also were concerned about the impacts of the new personal property rules on capital and inventory-intensive business owners and the effects that these rules and the change in the base value of agricultural land will have on farmers. Participants acknowledged that elements of the new rules such as the shelter allowance, the extension of the Homestead Credit, and the elimination of the 30 percent floor on equipment depreciation will reduce adverse effects, but said that additional mitigation is essential.

Example Strategy

Most of the participants said that the best way to mitigate effects was to modify the state's fiscal system (Key Issue #6).

KEY ISSUE 4: REASSESSMENT WILL RESULT IN SIGNIFICANT INCREASES IN THE NUMBER OF APPEALS OF ASSESSMENTS, WHICH WILL STRESS A NEW APPEALS PROCESS AND MAKE IT UNLIKELY THAT OFFICIALS CAN RESPOND WITHIN SPECIFIED TIME FRAMES.

Local officials believe reassessment will result in a massive increase in the number of taxpayer appeals--some officials expect thousands of appeals. The new appeals process involves a new state agency to hear appeals, places additional responsibilities on local officials, and establishes firm deadlines for reviews. Higher numbers of appeals raise the likelihood of budgetary problems caused by delays related to failures to resolve contested cases.

Example Strategy

Participants did not identify strategies for dealing with appeals, citing the large degree of uncertainty and a lack of flexibility in the process as limitations to adequately addressing this issue. However, strategies to educate the public about reassessment, to extend deadlines for reassessment, and to mitigate impacts also would address problems associated with appeals.

KEY ISSUE 5: REASSESSMENT POSES NEW TECHNICAL AND ADMINISTRATIVE CHALLENGES FOR LOCAL OFFICIALS AND COULD BE COMPLICATED AND DELAYED FURTHER BY PERSONNEL TURNOVERS IN ASSESSORS' OFFICES.

Many local officials said they were ill-equipped to cope with the challenges of reassessment. Some township assessors expressed frustration over the reluctance of county councils and other local officials to invest in certification, additional training, and resources necessary to complete reassessment.

Many local officials also indicated that they anticipate problems in providing administrative continuity throughout the reassessment process. One complicating factor is the administration of the new system while trying to integrate new, inexperienced assessing officials mid-cycle in the process. The new assessment procedures will shift many responsibilities to county assessors and require new institutional relationships between townships and counties. This change, in turn, will make it more difficult for continuity throughout the first years of the new process.

Example Strategy

Participants agreed that local and state officials needed to communicate with and learn from each other more. Although people recognized the efforts of the ISBTC and professional associations such as the Indiana Association of Cities and Towns, the Association of Indiana Counties, and the Indiana Township Association, they said that additional assistance and training were important. Funding and resources are obstacles to increasing competencies and need to be addressed systematically over time.

KEY ISSUE 6: THE STATE CAN HELP ENSURE FAIRNESS AND EQUITY AND MITIGATE THE ADVERSE EFFECTS OF REASSESSMENT WITH SHORT- AND LONG-RANGE STRATEGIES, SUCH AS PROVIDING INFORMATION AND ASSISTANCE TO LOCAL GOVERNMENTS AND MODIFYING THE CURRENT SYSTEM OF LOCAL GOVERNMENT FINANCE.

Although IACIR emphasized that the forums were not designed to address tax restructuring, many people noted that restructuring is the only way to mitigate some of the effects of reassessment. Participants made many specific proposals for restructuring but their recommendations varied considerably and in some cases conflicted. Overall, the recommendations for restructuring reflect the larger debate now ongoing in the state.

Example Strategies

Several possible strategies were consistently recommended at each of the hearings. These include:

- State works with local governments to adapt local budgeting schedules to reassessment timelines.
- Restructure taxes to reduce local government reliance on property taxes and shift responsibility for education and welfare funding to the state.
- Increase other revenue sources such as sales, gasoline, and income taxes.
- Utilize other tax relief tools such as tax abatement for the elderly, historic credits for older homes, and further extend the use of the Homestead Credit.
- Enhance local government flexibility by increasing revenue options at the local level and allowing more options for “phasing-in” reassessment under the new rules.
- Further examine strategies used by other states when implementing similar assessment methods.

APPENDIX 1
COUNTY BY COUNTY EFFECTS OF REASSESSMENT

APPENDIX I

COUNTY BY COUNTY EFFECTS OF REASSESSMENT

Source: Indiana State Board of Tax Commissioners

This table summarizes estimated county effects of average change in property owner tax bills by classes of property under the Tax Board's new assessment rules. These rules include establishing a base market value system of assessment, a shelter allowance for primary residences, and a base value of \$1,050 per acre of farmland.

	All Counties	Agricultural	Residential	Business	Utility
	Average Taxpayer	1.5%	13.1%	-8.3%	-13.0%
	Average County	1.7%	9.5%	-9.7%	-12.0%
	Median County	3.2%	9.6%	-9.5%	-10.6%
	Maximum County	16.1%	38.0%	6.5%	6.4%
	Minimum County	-46.6%	-20.7%	-21.7%	-31.7%
1	ADAMS	-1.1%	14.5%	-8.0%	-21.3%
2	ALLEN	-8.1%	22.9%	-11.0%	-18.4%
3	BARTHOLOMEW	10.0%	11.6%	-9.1%	-3.0%
4	BENTON	2.2%	11.1%	-17.0%	-13.2%
5	BLACKFORD	5.4%	10.8%	-10.1%	-6.9%
6	BOONE	-0.3%	12.2%	-21.7%	-31.2%
7	BROWN	-7.1%	19.9%	-21.2%	-31.7%
8	CARROLL	3.8%	10.1%	-17.8%	-14.7%
9	CASS	4.6%	10.3%	-8.8%	-6.4%
10	CLARK	-0.7%	12.4%	-9.4%	-20.4%
11	CLAY	4.4%	10.4%	-10.0%	-22.5%
12	CLINTON	4.9%	6.6%	-7.1%	-22.5%
13	CRAWFORD	11.6%	-12.0%	-8.5%	-7.8%
14	DAVISS	1.0%	8.8%	-7.5%	-5.5%
15	DEARBORN	1.3%	11.7%	-9.5%	-16.2%
16	DECATUR	1.5%	23.5%	-14.4%	-12.5%
17	DEKALB	1.4%	9.4%	-5.6%	-19.4%
18	DELAWARE	-7.8%	9.2%	-4.6%	-12.8%
19	DUBOIS	2.3%	17.7%	-12.3%	-8.4%
20	ELKHART	-9.5%	14.4%	-6.4%	-9.1%
21	FAYETTE	-4.2%	27.7%	-13.7%	-16.8%
22	FLOYD	-9.0%	3.0%	-3.1%	-8.0%

	All Counties	Agricultural	Residential	Business	Utility
23	FOUNTAIN	6.1%	1.4%	-13.3%	-10.1%
24	FRANKLIN	2.0%	3.5%	-7.4%	-11.4%
25	FULTON	8.3%	7.7%	-12.7%	-7.4%
26	GIBSON	8.3%	9.9%	-10.2%	-1.3%
27	GRANT	5.3%	2.7%	-3.3%	-4.5%
28	GREENE	6.8%	4.3%	-8.8%	-6.7%
29	HAMILTON	-4.7%	8.5%	-14.0%	-27.4%
30	HANCOCK	1.0%	11.2%	-16.0%	-28.3%
31	HARRISON	1.9%	9.8%	-6.9%	-18.2%
32	HENDRICKS	-9.7%	8.0%	-17.5%	-27.1%
33	HENRY	4.1%	11.9%	-12.3%	-10.7%
34	HOWARD	-17.4%	12.0%	-5.1%	-11.1%
35	HUNTINGTON	4.6%	-8.2%	4.3%	-17.5%
36	JACKSON	4.5%	12.5%	-8.2%	-2.7%
37	JASPER	2.9%	19.4%	-18.5%	-2.0%
38	JAY	2.4%	8.2%	-7.0%	-4.0%
39	JEFFERSON	8.0%	10.2%	-6.7%	-4.6%
40	JENNINGS	12.2%	-7.8%	-1.8%	6.4%
41	JOHNSON	-1.9%	6.7%	-10.1%	-23.7%
42	KNOX	6.2%	8.4%	-6.4%	-3.7%
43	KOSCIUSKO	-7.4%	23.3%	-16.9%	-13.4%
44	LAGRANGE	-7.5%	29.5%	-18.8%	-18.3%
45	LAKE	7.1%	38.0%	-11.8%	-20.5%
46	LAPORTE	5.6%	12.0%	-10.0%	-8.0%
47	LAWRENCE	5.5%	7.1%	-7.9%	-5.3%
48	MADISON	1.4%	9.1%	-8.0%	-19.9%
49	MARION	-11.1%	9.5%	-4.4%	-12.5%
50	MARSHALL	2.4%	8.1%	-8.4%	-6.6%
51	MARTIN	7.6%	-19.3%	4.6%	6.0%
52	MIAMI	6.3%	-2.2%	-3.7%	-2.6%
53	MONROE	-4.6%	9.0%	-9.4%	-18.9%
54	MONTGOMERY	4.5%	10.4%	-5.7%	-4.7%
55	MORGAN	-4.0%	12.9%	-17.3%	-27.1%
56	NEWTON	6.5%	7.6%	-15.5%	-14.8%
57	NOBLE	4.7%	9.9%	-8.1%	-6.9%
58	OHIO	-1.3%	10.5%	-12.7%	-20.3%
59	ORANGE	6.3%	11.6%	-11.3%	-8.0%
60	OWEN	5.8%	1.8%	-10.8%	n/a
61	PARKE	7.4%	7.2%	-17.8%	-18.0%
62	PERRY	-2.6%	20.5%	-16.6%	-9.5%

All Counties	Agricultural	Residential	Business	Utility
63 PIKE	8.9%	7.0%	-7.9%	0.4%
64 PORTER	-7.3%	9.4%	-7.7%	-20.2%
65 POSEY	14.7%	-12.0%	1.2%	-8.1%
66 PULASKI	7.6%	2.3%	-9.9%	-9.7%
67 PUTNAM	4.1%	9.4%	-10.2%	-9.7%
68 RANDOLPH	9.3%	-7.0%	-2.4%	-1.5%
69 RIPLEY	-7.3%	28.0%	-13.6%	-3.9%
70 RUSH	1.0%	22.0%	-15.7%	-15.2%
71 ST. JOSEPH	-6.1%	2.1%	-1.7%	-11.2%
72 SCOTT	15.1%	-20.7%	6.5%	-4.1%
73 SHELBY	4.3%	7.5%	-6.1%	-19.9%
74 SPENCER	14.8%	19.4%	-10.0%	-3.8%
75 STARKE	3.4%	9.7%	-13.9%	-7.6%
76 STEUBEN	0.8%	9.3%	-10.5%	-10.5%
77 SULLIVAN	10.6%	6.5%	-8.9%	-3.9%
78 SWITZERLAND	-46.6%	15.1%	-13.5%	-10.6%
79 TIPPECANOE	-6.3%	10.8%	-6.4%	-14.7%
80 TIPTON	1.9%	9.7%	-10.8%	-22.7%
81 UNION	3.0%	4.5%	-10.8%	-11.7%
82 VANDERBURGH	-10.6%	29.4%	-13.9%	-20.9%
83 VERMILLION	16.1%	6.9%	-3.8%	-5.4%
84 VIGO	-4.2%	13.3%	-7.6%	-8.4%
85 WABASH	-0.5%	9.9%	-8.6%	-3.0%
86 WARREN	4.2%	7.5%	-16.9%	-10.2%
87 WARRICK	6.5%	9.5%	-13.9%	-18.9%
88 WASHINGTON	3.8%	2.9%	-5.9%	-3.3%
89 WAYNE	4.6%	13.8%	-8.9%	-4.6%
90 WELLS	6.8%	1.9%	-6.5%	-17.2%
91 WHITE	9.5%	6.5%	-12.2%	-12.1%
92 WHITLEY	1.8%	11.8%	-9.8%	-22.6%

APPENDIX II
PROPERTY TAX REASSESSMENT: A GUIDE TO THE ISSUES

*Property Tax Reassessment***A GUIDE TO THE ISSUES****IACIR Seeks Comments on Court-Mandated Changes**

The Indiana Supreme Court held in 1998 that the state regulations for the assessment of real property were unconstitutional. The Indiana Tax Court ruled further that the Indiana State Board of Tax Commissioners (ISBTC) had to adopt new constitutional regulations by June 1, 2001, and that the reassessment under those rules had to be completed by March 1, 2002. The ISBTC adopted new regulations for the assessment of real property in May 2001, and in late September proposed an additional rule regarding the assessment of personal property.

Several concerns have arisen as a result of these impending changes:

- Changes in the assessment of property are expected to shift the overall property tax burden among classes of property, generally from business to residential property.
- Local assessors and other officials may have difficulty implementing these complex new rules in the short period of time allowed.
- Other local government administrative processes and finance tools may be affected.
- The effects of this shift on homeowners, other taxpayers, and local governments have spawned concern about a number of secondary effects as well as discussion about restructuring the funding of local government.

The Indiana Advisory Commission on Intergovernmental Relations (IACIR) adopted this important intergovernmental issue as its focus for FY 2001. As part of this effort, the commission, in cooperation with the Indiana Association of Cities and Towns, the Association of Indiana Counties, and the Indiana Township Association will hold a series of five forums to educate and solicit comments from stakeholders, including local government officials, owners of residential, agricultural, business, and utility property, and other citizens. The forums will be held in October and November. Specific dates and locations are listed below. All interested in this important state issue are encouraged to attend and participate. Stakeholders and citizens also may provide written comments to the commission. Comments should be received by November 16, 2001, at the address listed below.

Attend a Public Forum on Reassessment!

Date	City	Location
October 23, 2001	Lafayette	Lafayette Jefferson High School, Auxiliary Gymnasium
October 29, 2001	Seymour	City Hall
November 1, 2001	Evansville	University Center, University of Southern Indiana
November 5, 2001	Noblesville	Exhibition Center, Hamilton County 4-H Grounds
November 12, 2001	Fort Wayne	Walb Memorial Union Ballroom, IPFW

Each forum will be held 6:30–9:00 P.M. local time.

For more information, please contact:

John L. Krauss
Indiana Advisory Commission on Intergovernmental Relations
c/o Center for Urban Policy and the Environment
342 N. Senate Ave., Third Floor, Indianapolis, IN 46204
(317) 261-3000

Forum Co-sponsors:

Indiana Association of Cities and Towns
Association of Indiana Counties
Indiana Township Association

Elements of New Assessment Rules

Market Value Assessment: Requires that assessors estimate the selling price of each parcel of real property.

Shelter Allowance: Dollar figure fixed for each county beginning with the 2002 reassessment that reflects the cost of basic shelter, calculated by capitalizing rental payments for efficiency apartments and is subtracted from the market values of homeowners' primary residences. The figure estimates how much a reasonable buyer would pay for an apartment with that level of rent. Rental data for efficiency apartments is established by the U.S. Department of Housing and Urban Development. Shelter allowances differ among counties, ranging from \$16,000 to \$22,000, but are the same for all homes within a county. The rationale for the allowance is that basic shelter is not wealth.

Base Value of Farmland: Use value of agricultural land before considering any adjustments for soil productivity and other influence factors that affect the land's ability to sustain crops. The base value assigned to an acre of farmland under the new rule was increased to \$1,050. The previous base value was \$495 per acre.

Elimination of 30% Floor on Equipment

Depreciation: Businesses will be allowed to fully depreciate old equipment and thus reduce its assessed value.

Slow Schedule of Depreciation on Equipment:

Businesses will be assessed on an increased share of the original value of equipment each year, thus increasing assessed value.

Elimination of 35% Inventory Exemption: Businesses will be assessed on the entire value of inventory, thus increasing assessed value.

Assessment Practices Held Unconstitutional

In 1998, the Indiana Supreme Court held that the Indiana State Board of Tax Commissioners' (ISBTC) assessment regulations for real property were unconstitutional. The court ruled that the ISBTC "cost schedules lack[ed] sufficient relation to objectively verifiable data to ensure uniformity and equality based on property wealth" and that they "lack[ed] meaningful reference to property wealth" as required by the Indiana Constitution (Article 10, Section 1(a)). The court indicated that market value assessment would be constitutional. Following the 2000 session of the Indiana General Assembly, the Tax Court further ordered that the reassessment under new constitutional rules must be completed by March 2002 for tax bills that would arrive in March 2003.

New Assessment Rules

The ISBTC adopted new rules for the assessment of real property in May 2001. These rules establish a base market value system of assessment, a shelter allowance for primary residences, and a base value of \$1,050 per acre of farmland. The ISBTC also proposed new regulations for personal property assessment in late September 2001. This rule eliminates the 30 percent floor on equipment depreciation, lengthens the depreciation schedule on equipment, and eliminates the 35 percent inventory exemption. The shelter allowance and the personal property rule are potentially controversial.

I. Tax Shifts Expected from New Rules

Property tax controls assure that the total amount of revenue collected by any local government from property taxes (tax levy) not increase with reassessment above increases ordinarily allowed. The assessed value for all properties will increase as a result of the new assessment rules, but to varying degrees. Tax rates will drop because the tax rate is established after the tax levy and assessed value, and equals tax levy divided by total assessed value.

Although the tax rate is a flat rate tax (all taxpayers pay the same rate within the same jurisdiction), the relative change in assessments among types of property within local government jurisdictions will vary. As a result, the relative tax burdens that

Property Tax Terms *

Assessed Valuation: In 2001, the assessed value is equal to 100 percent of true tax value. In 2002, the ISBTC has adopted rules that establish gross assessed value as market value minus a shelter allowance.

Deduction: A property tax deduction reduces the assessed value of taxable property. Deductions are established by the Indiana General Assembly.

Homestead Credit: A credit against a taxpayer's property tax liability that reduces the amount of tax owed by ten percent through 2003 and by four percent in 2004 and thereafter for the principal residence.

Levy: The total amount of income to be raised from property taxes by a governmental unit.

Personal Property: Tangible property not permanently affixed and part of real estate. Typically consists of inventory, business machinery, and agricultural equipment.

Property Tax Controls: A local taxing unit is allowed to increase its maximum permissible tax levy through a system of equations based on growth in assessed value. The minimum and maximum increases generally allowed are five and ten percent, respectively. Taxing units are not required to increase levies to the minimum allowed but most do. Units may exceed the ten percent maximum when they annex property or petition and are granted a levy in excess of limitations by the ISBTC.

Property Tax Rate: Property tax rates are established for each taxing units and are equal to the property tax levy divided by assessed value. They are generally reported in dollars per \$100 assessed value.

Real Property: Land and improvements considered permanent fixtures.

True Tax Value: The term used in determining assessed value prior to 2002.

*These definitions are modified from those provided in the *Indiana Handbook of Taxes, Revenues, and Appropriations* published by the Indiana Legislative Services Agency.

Table 1:
Changes in Tax Bills as a Result of ISBTC Rules Adopted in 2001

	Agricultural	Residential	Business	Utility
Mean Taxpayer	+1.6%	+13.1%	-8.3%	-13.0%
Mean County	+1.7%	+9.5%	-9.7%	-12.0%
Median County	+3.2%	+9.6%	-9.5%	-10.6%
Maximum County	+16.1%	+38.0%	+6.5%	6.4%
Minimum County	-46.6%	-20.7%	-21.7%	-31.7%

Source: ISBTC, 2001

accrue to various classes of property also will vary. Taxpayers may experience either a rise or fall in their tax bills. Property owners who experience a relatively big increase in assessment under the new system, will see their tax bills rise. Most of the time, these will be homeowners. Property owners who experience a relatively small increase, generally business owners, will experience a drop.

Table 1 summarizes estimates of average change in property owner tax bills by classes of property based on data from the ISBTC. **The experience of some property owners across the state may differ dramatically from the averages reported in Table 1.** The extent of the relative rise in assessed value and shift in tax burdens for individual owners are affected by a complex set of interactions, including the mix of property types and sub-types within a single jurisdiction and the mix of taxing units in which a property is located.

The mix of properties within single taxing jurisdictions, such as a town or school district, will affect the relative burden for all taxpayers. In jurisdictions with high concentrations of industrial property, there is likely to be a significant shift in tax burden to single-family residences, particularly older homes. In jurisdictions where there are mostly newer residences and little industry, there may not be a significant shift.

The overall shift for any particular owner also will be affected by the mix of jurisdictions in which the property is located. All properties are located within a county, township, and school district. In addition, they also may be located in a municipal, library, fire, or other type of district. Therefore, the overall shift for a particular owner is a function of the sum of changes across all relevant jurisdictions.

A third element of variation rests in variation within particular property classes. Owners of older homes are likely to experience greater increases in assessed values and relative tax burden than newer homes. Newer homes were not eligible under the old system for the level of depreciation allowed older homes. As a result, their current assessed values are closer to market value. Similarly, assessed value and burden will vary by type of business property. Businesses with new equipment and/or inventory will experience a greater increase in assessed value and tax burden than businesses with old equipment and limited inventories.

II. Administering New Assessment Rules

The 2002 reassessment produces many administrative issues for local governments, especially counties and townships, because they administer property tax assessment. These issues include timing, computer software and hardware, training for assessors, staff time, and funding.

Timing

According to the Tax Court ruling, counties are expected to complete the reassessment by March 2002. This timing is problematic. Previously counties have planned and worked for 20 months to complete reassessments under familiar rules. Under a familiar system, it was not uncommon for counties to complete reassessment late. The ISBTC passed the new rule for real property in May 2001, posted it on the Internet in May 2001, and distributed the new manual based on those rules in August 2001. Hence, counties have only six to seven months to complete reassessment by the court-imposed deadline. A new

rule for personal property was proposed in draft form in September 2001, and the ISBTC hopes to have a final personal property rule in effect by December 31, 2001. Implementation of new procedures is complicated further because the ISBTC is not expected to complete the equalization rule until early 2002.

Assessors also must address appeals. Experts have estimated that assessors should expect appeals on ten to fifteen percent of parcels. In a county with approximately 60,000 parcels as in Monroe County, this means 6,000 to 9,000 appeals that must be heard within three months. In 1995, approximately 3,000 appeals were heard. At current staffing and funding levels, local officials may have difficulty managing this increase in volume.

Software and Hardware

New computer software must be developed based on these newly available rules. Although the software certification standard has been published in final form and the ISBTC is working with software vendors on certification issues, no vendor has yet requested certification. Administrative law prohibits counties from contracting for assessment software from non-certified vendors. As of late September, even though many counties have longstanding relationships with vendors, no county that did not have its own in-house software had received the new software necessary for the implementation of reassessment under the new rules. In some cases, because there are a limited number of vendors, it may take counties more than a year to get this new software implemented.

In many cases, counties also will have to upgrade existing computer hardware to run new software systems. The change in software also requires conversion of current property records from the old computer system to the new. This has not been successful in most counties and may require a significant investment of staff time to enter data for each of the property records into the new system.

Staff Time

The new assessment system is expected to require more staffing hours to administer than the old system. Implementing the system for the first time requires significant learning and an increased number of staff time. As mentioned earlier, the implementation of new software likely will require re-entry of all property records and appeals are likely to increase. Both will increase the staffing hours required to implement reassessment.

Training

Training is an important component of implementation. Assessors must quickly learn how to assess property based on the new system. The ISBTC and state associations have conducted some training programs on the new manual, but many local officials still feel unprepared to implement the new rules. Even with training, assessors are not as familiar with the new rules as with the previous ones. This is likely to increase the staffing hours needed to complete the reassessment and the number of months necessary for completion.

Funding

Funding is another significant issue. Many county and township assessor offices operate on extremely limited budgets. The new system will require more funding to administer than the previous system, in part because of the increased labor requirements. County assessors must estimate several years in advance the funding needed for an upcoming reassessment. No counties have yet exhausted their funds for reassessment. However, because this reassessment was scheduled to occur in 1999, some counties already have expended many of the funds allocated for this reassessment. As a stopgap, the ISBTC has allowed assessors to access the funds allocated for the subsequent reassessment. In some cases, this may be enough in the short run to complete the current reassessment. In other cases, it will not. In either case, some allowance will be needed to re-budget for a next reassessment.

III. State and Local Fiscal Procedures

The change in method of assessment and the dramatic change in assessed values also are likely to affect a number of state and local fiscal procedures, including budgeting, cash flow to local units of government, debt mechanisms, and any funding distributions tied directly or indirectly to assessed values.

Budgeting and Cash Flow

The ability of local governments to access property tax revenues adopted during the normal budgeting process may be uncertain during the first few years following reassessment. Counties cannot distribute funds they have not collected. If property tax bills are sent late and property tax revenue collection is delayed, local governments may have to borrow money to cover short-term operating costs and other fiscal obligations. Appeals may affect local governments by delaying collection of revenues

during the appeal process or by reducing revenues in the case of successful appeals.

Repayment of Current TIF Bonds

The change in assessment will affect tax increment financing (TIF) districts. Under current law a one-time adjustment to the base assessed value is required to neutralize any effect of reassessment. This adjustment is based on the comparison of the changes in net assessed value between the TIF district and the county. The variation in mix of property types across jurisdictions and the resulting changes in tax rates may make this adjustment problematic. It will require balancing protection of the revenue to repay the TIF debt and reduced tax base for other taxing jurisdictions. The increased volatility over time under a market value system will make this economic development tool less attractive to communities.

Reduced Costs of Debt

On a positive note, the change in the system of assessment may allow local governments to incur more and less expensive debt to fund community goals. Currently, general obligation debt is limited by the Indiana Constitution to 2 percent of the net assessed value within the taxing jurisdiction. Previously, most of local property-tax backed debt consisted of revenue bonds because of this limit. As assessed value increases under the new system, jurisdictions will be able to access additional, less expensive general obligation bonds rather than revenue bonds. The change in assessment also will reduce the cost of debt by increasing credit security and credit quality. These measures are evaluated in part by debt-to-property value ratio. With larger assessed values in the denominator, the debt ratio will decrease and may further allow jurisdictions to access less expensive debt.

School Funding Formula

State and local taxpayers fund elementary and secondary education in Indiana. The state portion is distributed based on a complex formula that includes a factor intended to adjust for variations in the property tax base across districts. Districts with smaller tax bases receive a higher percentage of their funding from the state. Without adjustment, the variation in assessed values under the new system could change significantly the state distributions that flow to particular school districts.

IV. Effects of New Assessment Rules on Stakeholders

Reassessment also raises many substantive and procedural issues. The following is a partial list of potential effects of the upcoming reassessment that extend beyond the shift in tax bills and the direct administrative issues associated with completing reassessment. Clearly, this change affects various taxpayers as well as communities and Indiana generally. These effects reflect complex and overlapping fiscal and economic interactions and may vary dramatically across communities. The list is by no means exhaustive.

Individuals and Taxpayers

- Many homeowners will be caught unaware until mortgage payments rise as mortgage and escrow companies pass on increased property taxes.
- For current homeowners, higher property taxes likely will decrease the market value (or sales price) of homes.
- Property tax bills are likely to be more volatile under market value assessment, potentially shifting among taxpayers as markets change.
- Higher taxes on residential properties may affect the ability of senior and low-income residents to keep their homes and to maintain them.

Economic Development

- Lower business property taxes make the state more attractive to out-of-state firms.
- Differential in business taxes across communities may affect their relative attractiveness for retention and expansion within the state.
- Firms may respond to lower taxes through lower prices, higher wages, increased job opportunities, increased capital investment, or higher profits for owners.
- The change to market value assessment makes the use of already limited economic development incentives available to local governments less attractive (TIF and tax abatement), increases concern about the ability to attract and retain firms, and may diminish the benefit firms derive from current abatements.
- The effects of the personal property rule may vary greatly among businesses, with businesses with large inventories being hit harder.

Land Use

- The tax shifts associated with reassessment are likely to have varied effects on land use. For example, the attractiveness of older homes relative to new construction may vary based on the relative tax burden among them in particular jurisdictions.
- Changes in land use will affect local government choices about land use and will encourage more tailored fiscal analyses of development proposals.

State and Local Government

- Higher taxes for some property owners may be perceived by taxpayers as a tax increase by local government.
- Higher taxes for property owners, particularly homeowners, may increase their expectations of local government services, particularly education.
- Increases in net assessed values under the new system may increase the use of general obligation debt to finance public improvements and reduce the cost of debt.
- Predicted tax shifts may increase pressure to consider restructuring and alternative methods of funding local government.

Discussion Questions

1. What do state and local governments need to do to make reassessment work? (Issues II and III)
 - What are the administrative challenges?
 - What are the staffing requirements?
 - What are the training requirements?
 - What are the implications for management of computer databases?
 - How will the appeal process change?
 - What state and local fiscal procedures need to be adjusted as a result of the new method?
 - How will appeals affect local government budgeting and cash flow?
2. What are the most important issues related to reassessment that affect households, businesses, agriculture, local governments, and state government? (Issues I and IV)
 - What are the implications for home owners and home ownership?
 - How will reassessment change incentives for land use and economic development in towns, cities, and counties?
 - What are the likely expectations of and political consequences for local governments?
 - How can state government help local governments to manage in light of the “sticker shock” that will be experienced by many homeowners?
 - What are alternatives for funding local government?

APPENDIX III
PROPERTY TAX REASSESSMENT FORUMS

APPENDIX III

PROPERTY TAX REASSESSMENT FORUMS

Comment Cards and Table Discussion Notes

Questions (Lafayette site only)

1. What do state and local governments need to do to make reassessment work?
2. What are the most important issues related to reassessment that affect households, businesses, agriculture, local governments, and state government?

Lafayette, Indiana - October 23, 2001

Comment Cards

- Give extra time to get work done – CORRECTLY!
- Help communicate what's happening to taxpayers. Locals can't get it done.
- Appeals will dramatically affect local units' budgets—and as a result will dramatically increase property tax bills. Current deadlines don't accommodate appeals process (and the 100% part alone will drive appeals up significantly).
- Fixed income, low-income homeowners are in for a terrible surprise if they have an older home.
- 100% factor isn't even being considered in terms of confusion. Question to ask: How can the public be adequately informed of what to expect from reassessment? (Current political and media reports are distorted and incomplete.)
- Need lots of publicity on what is happening.
- The most important thing is to keep housing affordable.
- We need more time to do a fair and equitable job for the taxpayers.
- We need a tax plan that will benefit the businesses and the farmers, i.e., O'Bannon's plan.
- The assessed value appeals should not be deducted from the assessed value which has a negative impact on other taxpayers. Hire more staff to handle appeals more quickly.
- The state needs to move back on local deadlines: assessed value certification; budget and salaries; etc to allow optimum time for the assessors to implement the new rules.
- Legislature must move immediately to pass the new personal property tax rules and distribute them.
- Very concerned regarding the negative impact on economic development
- Poor timing for mailing of new tax bills for many local level elected officials.
- Reassessment and tax restructuring should be done at the same time.
- Concern about lack of time to get everything done and late AU's will hurt local budgeting process.
- Concern about the effect of personal property rules, will be disastrous for major manufacturing companies—problem that all businesses treated the same (retail and manufacturing).
- Concern with economic development—worried that companies will leave and new ones won't come in.
- Concern about rise in rental rates and affect on poor people.
- Restructuring is the solution to the problems without reassessment.
- Concern that having these meetings now instead of back in 1998 when knew had to do it. Format good, but leave a little less time for the small group discussions.
- Educate the public and also need to delay or postpone the deadline because the manuals just being sent out and also no certified software to do the work. There will be no time to prepare the public.

- We really won't know until it is all implemented – Honestly, I think the PTBOA is going to be very busy.
- Participants did not understand the reassessment process well enough to address many of the issues under question #1.
- The topic is pretty technical (particularly question #1). Level of understanding by general public pretty limited.
- Folks looking for more info on the Gov/ Lt.Gov. restructuring proposal.
- Shorter time between questions- maybe 30 minutes for each question.
- The issues surrounding redevelopment versus new development. Reassessment in many cases will increase the tax burden on older homes and older commercial properties. This will further disadvantage inner cities, urban areas, and older property. Redevelopment costs, which are already higher than suburban. Greenfield sites will be even higher. This can increase the costs of service from local government while reviews may decrease. More and stronger incentives may be needed but these may further erode the tax base and burden the government more.
- Need a venue/forum to talk about restructuring taxes.
- Deadlines need to be extended for submitting budgets, providing assessment numbers, and so on to allow more time for assessors to complete their work. Deadlines need to be established/shortened to clear up appeals.
- Local units of government will be hard pressed to meet their budget deadlines and to do any financial planning. TIF bonds may be at risk, especially in TIF districts that have a low base (cornfield developments). The impact on abatements is still unclear.
 - o Redevelopment may be endangered by the greater impact on older neighborhoods and on scattered site rehab tax credit housing projects.
 - o The three largest business employers in this county are equipment- and inventory-intensive and will be severely impacted by the proposed personal property rules. This has adverse consequences for future economic development in this area and the state.
 - o Marginal lower income homeowners are at risk if there is ANY increase in property taxes, and rental housing for lower income families will become even less affordable.
- In general, tax restructuring is essential to mitigate the adverse impacts of reassessment. Action must be taken SOON to allow time to meet court deadlines and to avoid the confusion and negative consequences of making a major change and then shortly thereafter having to make another major change to correct the first one.

Table Discussion Notes

Table 1

Administrative challenges:

- Lack of adequate time
- Find qualified help
- Adequate funding, training
- Stable tax board
- In-house programs, state tax board classes
- Taxpayers will be more able to relate to the value put on their home
- Work on enforcing assessing consistency
- Mobile homes will now get exemption not equitable
- May be cheaper to buy then rent
- Fixed income may be tough to hold onto their home
- Incentives are unknown
- State gave small business, mobile home owners, RV owners, the state gave away surplus

- General public needs to be more involved, more informed
- Need lots of information to taxpayer
- Taxpayers need more involvement
- Fiscal home rule
- State government announcement on reassessment, clearly state information

Table 2

- Assessor just now trying to get through manual
- Have new computer systems
- New prices
- Shelter allowances
- Worry that they won't make deadline
- Administrative challenges
 - Time constraints
 - Budgets set for 2002
 - New rules, software, hard to get staff trained
- What happens if not done on time?
- There are counties that are not computerized?
- Mismatch between what J. Laramore is saying and what is really happening in county
- Appealed parcels not in assessed value, which will drive levies up; shouldn't be taken out of value total
- Appeal process needs to be speeded up at state level
- Negative in business is that it's averaged across all businesses; the businesses that are most necessary to local development might get hit the hardest
- Using old (two to three years) value data
- They have only proposed personal property tax rules
- Come January have to do personal at time of real property
- Personal property rules disastrous for industries
- Companies plan ahead and now they have huge tax bills
- Equipment and inventory taxes may force industries out
- Farmers get taxed on all inventory (animals, grain); will force small farmers out of business
- TIF – adjusting base okay
- Abatements may earn businesses money
- Residents will blame cities/counties for higher tax bills, not state- if lose local businesses-property owners
- Older homes will be hit the hardest
- Shelter allowances –occupied homestead –reassessment will make rental units more expensive
- Low income - low impact?
- Adverse personal property rules will negate any positive real property—fewer economic development tools
- Would the state pressure to certify county budgets give the county any more time; everything would have to be pushed back
- Appeals- local decision to exclude

- Market value/business and residential must be equal
- In future, change neighborhood factor
- Local government funding inappropriate for this forum
- Boundary questions- assessors make definitions
 - Will the legislature pass personal property rule in time for March 2002?
 - Will they then push back deadlines so local government can do justice for Indiana taxpayers?
 - When will legislature learn they can't pass these damn rules without talking to people who will do the work?
- Cannot talk about reassessment without talking about restructuring and can't talk about restructuring in two hours

Table 3

Administrative challenges

- Short time frame, finished by March 1
- Taxpayers (businesses) want to know how it's going to work
- How do fair market value?
- Charts are guess toward an average
- Information to public is a major problem; assessment manual in every public library in state; ISBTC to buy your own manual or on Web site
- Same format manual as before
- Appeal process changed some (e.g., local assessor involved all through process)
- Pulaski assessor said can't be done on time; delays in guideline hurt
- Goal is to get as close to market value as possible; neighborhood factor—using past sales value
- Now getting training but need more; previously, done on time; should be giving values by next summer
- Still don't have software
- Felt old system had less judgment factor
- Five computers not enough
- So taxpayer won't know their impact in a timely manner
- Remeasuring properties
- Neighborhood factor? Told rural areas considered one neighborhood
- Using sales data to logically group neighborhoods
- Grade not as important this time because based on sales; sales per square footage?
- Taxpayers concerned about timing?
- Matters because could get bills late; will affect sales of houses too; people will want to figure tax bump into house price; will encourage home ownership rather than rental
- Taxpayers concerned about timing?
- Market value not necessarily connected to square footage
- The ones that don't sell will be the difficult ones to set market value
- Business even more complicated
- What about personal property?
- How about cash flow problems for local government?

- Appeals could go way up because of uncertainty—class action suits (homeowners associations and others); many more residential appeals
- Agricultural land different from other properties; does fair market value apply to farmland? Not same way because not best use necessarily
- Alternatives- Some states don't have property taxes; could use 9-10% sales tax instead
- Wants to understand how it will increase economic development in a community
- Most business taxes will fall, but won't be across the board; for example, SIA wouldn't come here because of tooling category; tool and die assessed like other manufacturing equipment
- Inventory tax (35% elimination) 53% increase to companies at constant rate; ironic since abolishing inventory tax always an issue
- Capital-intensive businesses most negatively affected
- Better off keeping old equipment than buying new; elim floor is plus, but straight-line depreciation not good
- If proposed tax restructuring passes, it will help
- Discouraging improving property
- Economic development toolbox impacts tax abatement because a serious negative for local government
- Older homes taxes go up much more than newer
- Concerned will hurt older neighborhoods the most
- Thought forums were about Governor's proposal
- Thinks any new plans should encourage more companies to come here
- Old system built on construction cost manual; that's why new homes will see less change; so seniors and people who have lived in same place for a long time will be negatively affected
- Township assessor system should go; should be countywide with professionals hired to do the job; tried to give more authority to county assessor ; there are some that have been under-taxed historically
- Is a confusing system because every county is different (township trustee, elected, county)
- Tried to give more authority to county assessor
- There are some that have been undertaxed historically
- Lots of business property not sold for years—rental
- Could mean more pole buildings than brick buildings
- Replacement versus reproduction costs
- People have always had to pay for enhancements in new assessments
- Could result in less reinvestment in older areas
- Restructuring at same time as reassessment is necessary
- Are Republicans endorsing Governors plan? Senate and House Republicans:
 - o Enhance ec development and long-term job creation
 - o Protects ed and homeowner
 - o Truly equitable
- Current fiscal, reassessment, tax restructuring for long term
- Have to change constitution to not file paperwork for credit (inventory tax elimination)
- Alternatives:
 - o How will fund schools? Governor's proposal takes 50% of gen fund to state

- o Two-thirds of school funding (statewide) is by state now
- TIF impacts not covered by restructuring
- Business franchise tax could be complicated
- How can the average citizen understand the budget crisis?

REPORT to Legislature:

- Figuring what is market value complicated, hard to understand- too much uncertainty (Neighborhood factors could be unfair, not necessarily connected to square footage)
- Information to public about the future is lacking
- Reassessment will not (cannot) be completed on time, so taxpayers will not know changes in bill with much prior warning
- Appeals could go way up and lawsuits, particularly residential could go up
- New rules could negatively impact capital-intensive manufacturing companies and hurt economic development efforts
- Less reinvestment, property enhancements
- Rules don't encourage new investment

Table 4

- What is the reason? Already done
- Shelter allowance
- More assessment payment to 2004; use 2001 Pay in 2003
- Land value-increase—negates less taxes
- Shelter allowance
- Finalize rules-Personal Property
- Assessing Funding- County reduces Rate- no council
- 1344—To know what we need to make reassessment to work we need to know if it will work
- Education
- Shelter allowance
- Option taxes at local level

Table 5

- Timing and accuracy are problems for both sides; counties are worried about time; accuracy is the concern of the municipalities; counties are concerned fiscally too, by the cost of reassessment, small labor pool, and high expectation of appeals
- Information needs to be out there early; citizens need to be very informed
- Redevelopment is already at disadvantage
- Low-income people who have been placed may be forced out
- The political consequences are dire
- Fiscal flexibility is needed at the local level; no question or answer helps the citizen pay the taxes, the increases

Table 6

- Time crunch
 - All counties have software—not trained yet
 - There are problems with tax bills going out on time
 - Administrative challenges:
 - o Problems with tax bills going out on time
 - o Issues with the trustees
 - o Will not make the 3/1/02 deadline; time is now more important than accuracy; accuracy will increase as market value takes affect
 - o Increase in appeals
 - o Municipalities are concerned about accuracy for bond issues
 - Two different sides of issue
 - What happens if it doesn't get done? Court ordered and Fischer not flexible
 - Push for delay; are you where you need to be?
 - Labor market tough
 - Is training being met? Everything dumped on the counties
 - Purchasing of equipment/fiscal problem
 - o Implications for management, computer database?
 - Has not seen certification
 - Need more time
 - Information on J. Fischer's opinion on delay
 - State needed to be more on the gun
 - Appeal process?
 - PTABOA explanation
 - Township POV has to have own representation, further explanation of appeal process
 - Sales disclosures
 - Hurting old homes, new buyers (home), farmers
 - Economic development
- What other state and local impacts?
- Government must keep people involved
 - Fiscal/procedures need adjustment
 - Confusing question
 - Still trying to learn new method
 - Appeals will harshly affect cash flow
 - TIF affected also
 - Certificate of Error
 - Affect budgeting
 - Reimbursement only from county? Even for those inside municipalities? Yes
 - Rules need to be established early so everyone from the top down can budget

- Older homes, older people, fixed income
- Redevelops already at disadvantage
- Older homes split into duplexes, etc. ; property owner must raise rents; people move out; inner cities decline Restructuring has to be done
- Affect TIF's bonds
- Refinanced bond issues
- Increase urban sprawl
- Limited uses
- Political consequences- the same day as tax bills hit is a primary
- Election defeats
- Some will not be able to pay

How do you reduce sticker shock?

- Meet with editorial boards
- Information sheet mailed with tax bills
- Bottom line is it doesn't help people pay property taxes
- Shelter allowances
- Shelter allowance to be challenged
- What about business and agriculture? What would happen to a TIF if business goes down? It's depressing

Alternatives to funding local government?

- Food and beverage
- Sales
- Local flexibility
- Info about library EDIT?
- Now to add a tax would be catastrophic
- D.C., social services, and low income be forced out
- Productivity index on agricultural land based on soil type
- Question -- What will be the affect on economic development?

Questions (Seymour, Evansville, Noblesville, and Fort Wayne)

1. What are your major concerns about the reassessment process?
2. What additional information and assistance do people need to complete reassessment as quickly as possible? For example, do specific sections of the new assessment rules need clarification? Can anything help speed the process of implementing new hardware and software systems? Please make specific suggestions about actions state and local government can take to move the process forward.
3. Assuming that reassessment cannot be completed by March 2002, how will you respond? For example, local jurisdictions may have to send tax bills before the assessment is completed. How do you think this problem should be handled?
4. What strategies and actions do you recommend to minimize the adverse effects on taxpayers whose taxes will increase as a result of reassessment? What should the IACIR report to the General Assembly?

Seymour, Indiana - October 29, 2001

Comment Cards

- How often will market value be changed? That is, 1 year, 5 years, 8 years, and who will make that determination?
- Since residential will be most adversely affected, those on fixed income and senior citizens may have to choose between food or medicine. Will there be an adjustment for these people?
- If the tax rate change table is accurate, I suspect there will be a greater reluctance to issue tax abatements since business is reflected as receiving a tax decrease.
- Delay implementation until 2004 so that legislature can “fix” problems in 2003.
- Lack of information and lack of confidence that the officials have been given the tools to complete the process on time.
- Tax restructuring—inventory and personal property should come off tax assessment. Increase sales tax and income tax to offset. Take schools and welfare off property tax.
- Assessors do not have the needed tools (manual, rules, software) in enough time to complete the job. Assessors have not had sufficient training in new system. Appeals process will be overwhelming.

Table Discussion Notes

Table 1

- Sticker shock, but not hearing much (lack of awareness)
- Import may be integrated; but not for gentrified/updated houses
- Spatial differences of improvements (should relief be prepared? Lobbying for relief is an arduous possibility)
- How can we communicate with people? Inform them of likely changes? (Libertarian newspaper doesn't provide useful information; source of news release is important)
- Assessors can't know the effect until end of assessment process—can't answer questions about impacts
- Need for software (ProVal, Mannetron, etc., all from one company)
- There is not time to do this collection “right,” data collection effort is too great—goes beyond regular reassessments
 - o If you don't contract, it's hard to find qualified staff (e.g., @ \$7.50/hr)
 - o One option – One county used trustees to manage the data collection process (They used teams to do a complete reassessment)
 - Determine what process to apply to neighborhoods
 - New manuals may increase, rather than decrease, subjectivity (Manuals leave assessors with lots of decisions)
 - Resources to do training – where and how much?
 - We are not prepared and state needs to help
 - o Accuracy—don't know if new software will work
 - o Assessors may not be constitutionally able to determine shelter allowances
 - o More information on training is needed; especially information on how to use manuals
 - o State needs to provide much more information- who is our leadership on this?
 - o Need hands-on actual training to demonstrate how to do it
 - Vendors just got certified, but may not have complete information from the state
 - Vendors have trial (“Beta”) counties underway
 - (20,000 parcel ± in each of these counties)
 - House- 30 minutes/ Industrial takes much longer)
 - Need more people and more money (the “cumulative” reassessment fund)

- Some counties (bigger) are developing their own software and may be better off
- Some counties have “reorganized” to accomplish reassessments
- Realistic extensions of time, with specific reporting requirements, may be needed
- More information on the new board structure
- Will have to “call in” what we have (from “flat file”)
- Do “home-buys” to (a) determine if property needs more inspection, then (b) do more detail as needed (This is for residential)
- Also must send out notices (form 11); if this can’t be done, bills will become the notice and citizen would have 45 days to appeal (This would help gain a month)
- Payments from citizens might have to be postponed
- Some bills may not be consistent or new law; result will be lawsuits and lots of appeals
- However, it will get done, though it may be late (some leeway- in 200, assessments are applied in 2003)
- Need numbers in August or September to inform city councils of estimated numbers
- Strategies and actions to minimize adverse effects:
 - o State legislature is “only one” that can rectify balance
 - Pie is always same size- so restructuring necessary?
 - Bills will be going out in mayoral and assessor election year
 - Restructure! State handles education; property tax should fund local services
 - Do the reassessment, then wait until 2004 to apply
 - This would provide info to state legislature for better rules
 - In 2003 State would have “hard data ”
 - Use old assessments for 2002-03
 - This also reduces pressure on the mayoral elections
 - Tax court might not be satisfied with this

Table 2

Major Concerns:

- Timing
 - o Getting done on time
 - o Issue of analysis following field work
 - o Will reassessment be as good
 - o Would like to have 18-24 months
 - o Software-getting data entered
 - o Not even there; not tested; software not ready
- Availability of Software-how to expedite software
 - o State Tax Board working on that
 - o Not yet certified
 - o Can’t speed it up too much, want accuracy
 - o Depend on State Tax Board

- Inability to bill in time –
 - o If it isn't done by time of billing, treasurers can't send bills, won't be money
 - o Problem of keeping old software, old assessments as back-up
 - Problem of transferring data from old to new systems
 - Just takes time
- What if you don't get it done in time?
 - o Mandate—what does judge say if they don't
 - o Who sues whom?
 - o Legal counsel for reassessment issue?
- Appeals
 - o More appeals this time than ever before-
 - o Set up process before getting appeals
 - o How do you handle?
 - o Scheduling system-15 min/homeowner
 - o Set up something informal before appeal process
- Documents to provide people with information on new assessment process
- What is time frame on appeal process?
 - o Any time after March 1
 - o 45 days from notice of assessment or tax bill
- Are things not clear on rules?
 - o Shelter allowance
 - o Appealed by Brown County
 - o Clarification of shelter allowance
- Do away with shelter allow, credits
 - o Suit by apartment
 - o Should not be shelter allowance
 - o More equal not to have it at all
 - o All the credits go away
 - o Take off shelter allowance, tax credits, let tax rate reflect
- Neighborhood classification seems clear
- Vendor education important
- Some issues of consistencies within counties
 - o When townships do themselves, greater problems than when hire vendors
 - o Will there be disparities? Depends, more important issue in counties with variations
 - o Problems of equalization across counties
 - o Land values to be done by Nov., with State Tax Board to equalize
- Other things to speed things up
 - o Just more time
- Minimize adverse effects

- Cap on rises in property taxes per year
 - o Problem of sticker shock
 - o Illinois—you can only go up a certain percent per year
 - o Cap on increases?
 - Where do you get balance?
 - o Property tax replacement tax fund
 - o Limits on how much taxes fall?
 - o How do you answer questions about changes?
 - o Problems with how mobile homes assessed—but they get shelter allow, but deductions max at 50%
 - o Mobile homes were using older guidelines
 - People who weren't paying will now pay
- Problem of elderly, rising taxes
 - o Problem of older homes, elderly can't afford to live in home
 - o Can't state do something if you've lived in house for many years
 - o Effect of reassessment on property values—they thought not
 - o Could raise state assistance for elderly—raise income threshold
 - o Tax restructuring—shift-as long as counties get that
 - o Has tax restructuring disc. complicated discussion?
- Issues:
 - o Make sure they don't cause other problems
 - o Expect to be implemented fairly soon
- Other changes
- Excise, personal property
- Estimate way off
- Uncertainty until after reassessment done
 - o Issue—uncertainty—don't know effect until done
 - o Send out assessment before tax bills
- Inform public about assessments
 - o Open hearings to public as soon as assessments are out
 - o Won't be done in March
 - o Assessments won't go out until after November election
 - o Then, no way Treasurers could bill on time
 - o Appeals can reduce revenues
 - o Impact on budgeting process
 - o Appeals reduce revenues, rate not adjusted until next year
 - o What if assessment not completed?
 - o Does ability of county to send out tax bills depend on all counties being done?
- Other jurisdictions help?
 - o Have other jurisdictions assist with resources to speed up assessment

- o Identify obstacles to implementation
- o State tax software
- o Problems of software vendors, state certification
- o Problems of conversion—sketches not converting huge times

Table 3

Major concerns:

- Who will determine market value?
- How often will that be changed?
- Some concern by citizens that an “outsider” will impose their values on her property, lifestyle
- There are many on fixed income who will take hit
- Citizen owns three older properties (all before 1900s) – would rather tear down than pay reassessed taxes —can’t sell — they’ve decided to tear their buildings down
- Tax payers are caught with their pants down – people just don’t realize what’s going to happen to the people who don’t realize
- It hasn’t paid for them to fix up their older homes

What do people need—information:

- o Local assessors should be responsible because it provides point-of-contact for citizens
- o Communication among citizens and local officials will make big difference in understanding new assessment
- o It’ll take a big shock to get citizens to realize what’s coming in assessment
- o What about increasing sales tax?
- o Need deadlines pushed back
- o Assessment should be done slowly, thoughtfully, with quality
- o Majority of counties are not ready with software/hardware
- o 20 counties done with land value
- o 53 are half done
- o 75 have sales data file
- Personal property rule should be adjusted one week from today
- Over half of taxes go to schools — needs to be lower percentage
 - o Property tax most stable way to finance education
 - o Communication is key—from state down
 - o Sales disclosure

Table 4

- Lack of software
 - o Two counties only prepared with new software –bugs
 - o Certification of vendors is a hassle followed by contracting
 - o Vendor certification—software-training-debug- (timeline)
- Once software-enter parcels
 - o Example 60,000 — “best case glitch”
- Software
 - o Certification loosened – 95 didn’t happen—end with weak, uncertified vendors
 - o Hardware issues – every PC has to be changed
 - o Training – no hands-on before
- Economic Development Tools?
 - o Legislature (hope) are concerned about incentive tools for maintaining competitiveness as well recruitment – paying back debt
- Reelection—new assessors—new legislators
 - o Assessors assessing property during election
- Strategies
 - o Suspend timetables for budgets
 - o Push certification of values back
 - o Technology budget agency to work faster
 - o Liberalize appeals to levy excess funds
 - o Tax restructuring to reduce reliance on property tax
 - Schools
 - Welfare
 - Courts?
- Can the process be fast-tracked?
 - o Answer—no
 - o Move timeline—allow for job to be done correctly
 - o Lake County, Marion County, Fort Wayne etc.
 - o LSA —better numbers
 - More informed decisions
- Legislature can be the only to mitigate
 - o When resident sees “sticker,” it will be too late
- Resource = more time
- Budget values = June 1
 - o 75% August
 - reelection —30% lost?
 - New vs./assessors running for reelection
 - Politics

- Can be fast tracked? No
 - o Move timeline
 - Lake, Marion, St. Joseph, Allen
 - o Need better numbers, more informed public
 - o Need to understand sticker shock – too late after
 - o Budget values are locked once numbers are in
 - 75% will be prepared after 3 months
 - Reelection – assessor lost and ran for reelection (politics & new laws)
- Timeline move —pressure still on assessors
- Also back-up plan
- Mortgage escrow problems
 - o Mortgage memo – federal recap— Don't know how to handle
 - o Fixed income pushed against the wall
- Send 2003 tax bill – based on 2001
 - o Lawsuits?
- Strategies if not done
 - o Back-up plan
 - o Budget—suspend timetables
 - Advertise budget and approve—Nov, Oct
- Change rules that dictate budgeting for three to four months
 - o Send the bills later
- Timetable same now as adding machines
 - o Technology now allows for quicker processing on other end
- Legalize appeals to Levy Access Fund
 - o Allow greater percent of Excess Fund
 - o Modify recapture asset under legalized needs
 - o This would take statute change
- Strategies to mitigate:
 - o Tax restructure?
 - 20+ years since addressed
 - Different city now
 - Needs can't keep up
 - Payment in lieu of taxes
 - More home rule
 - Example \$1 for Lake
 - Fiscal flexibility
 - o Other states have phased-in
 - Example: Massachusetts in one - started 20 years ago
 - Michigan – trying to recover

- City & Town Strategy
 - o Reduce reliance on property tax; there is point at which it won't matter much (schools and welfare for example)
 - o Other side – once start shifting, people will be upset
 - o Levy cap will be necessary to stop growth of property tax after increasing other taxes
- Timing
 - o Software
 - o Certification—vendors aren't there
 - o Hardware
 - o Often make companies – hire more people, buy more equipment
 - o Training — retraining
 - o Training—continued education – expenses can't keep up with changing rules
 - o Reentry – a completely new field – neighborhood effect
 - o Work out glitches
 - o Appeals—other lawsuits (i. e., shelter allowance)
- How will assessor know —Own vs. Rent – shelter allowance, market value impact?
 - o Intergovernment relationships – Bloomington vs. Marion County
- Appeals – any county handle appeals – bigger and newer, can't keep up with changing rules
- New Tax Board
- New Rules, new folks, hire legal representation
- May not be money for hire
- Bottom line could be smaller
- Appeals will be backed up
- More strategies—address examinations
 - o Mortgage exemptions would be first on the list
 - o LSA – timing would be able to address different scenarios
- Timing:
 - o Software
 - o Certification of vendors
 - o Hardware
 - o Training—retraining
 - o Reentry—new fields—neighborhood effect
 - o Work out glitches
 - o Appeals
 - o Lawsuits

Evansville, Indiana - November 1, 2001**Comment Cards**

- In case the completed tax bill cannot be done by next March 2002. As a temporary way, increase our real estate tax bill next Spring by a 10% amount, over our current real estate tax with an adjustment to follow after the new system is approved by the legislature. They could give us a credit or increase a small amount as needed.
- Mainly make it fair to all
- My daughter and son live in newer homes and they pay more in real estate taxes than we do because we live in an older home that is about as valuable (market value) as each other.
- State to certify tax assessment software. Make new system convertible to old PROVAL system. May have to extend tax deadline; do some kind of catch-up billing, quarterly tax bills?
- Some way to mitigate effect of property tax increase on older properties. Need historic tax credit—residential & possibly commercial on historic buildings. What about phasing in over 2 years total amount of increase? For city government, 2003 budget cycle will be affected if deadlines are not met. Need changes in rules to ease deadlines.
- Do it correctly—it is being rushed to make the deadline, but seems to be in the panic mode
- Get school corporation off the property tax, or at least part of it
- Sales Tax
- Historical Credits
- Be responsible in spending on state level
- Property taxes need to be completely eliminated. The ownership of property has nothing to do with one's ability to pay. Raise the sales & income taxes to eliminate the property tax.
- It is better to be fair and accurate than fast. The state tax code is based on fairness and it is imperative that tenants get the same credits as homeowners.
- I support moving the tax burden from property taxes to sales tax.
- Push the 2002 levy to 2003
- This should be a gradual change; keep property taxes the main source of revenue for counties
- More time and resources for the assessors
- Find income – families will have lots of trouble. Agricultural may go belly-up due to increases
- Forum was very informative and eye opening. Could hit many, many people very hard. Give more time to adjust the rates paid and raise the funds for the new tax-rates.
- We should do a complete overhaul of tax system, not piece-meal
- We need leadership from the Governor and Legislature.
- Need increase of fuel tax for our roads
- Be accountable for the assessed values (equitable and fair)
- Fair values on businesses based on property values, same as homeowners and farm operations
- Time and money
- Changes, especially neighborhood factor, depreciation, and shelter allowance
- Help! The Governor and Legislature MUST do something now or Indiana's economy is doomed.
- Fairness is the issue
- Inform people
- Please give us (Town of Evansville) feedback. We intend to branch out to our public Gibson County
- Good forum

Table Discussion Notes**Table 1**

- Personal impact
 - o Increases in taxes
 - o Fairness
 - o Impact, especially on younger homeowners, senior citizens
 - o Impact on local budgets and services, no effect on total income
 - o Size of task – short timeline
 - o Will it be done accurately
 - o Disincentive for home improvement
 - o Recognition of special case of farm property
 - o Impact on budget-making processes during transition
- Key points:
 - o Fairness
 - o Impact, especially on seniors
 - o Concern about transition: accuracy, timeline, effect on budget-development processes
- Rules not completed by state
- Assessors then not able to complete work
- People not well informed
- Shock of new bills
- Need to find ways to communicate
- Limited number of software vendors
- Software has to be approved by state
- No approvals to date
- Need to approve so that staff can be trained
- Key Ideas
 - o Process is not moving ahead adequately
 - Rules not established
 - Software not approved
 - Staff training not begun
- New bills will lead to shock – people ill informed
- Later budget cycle –backing up of process and billing cycle
- How much pressure will be placed on legislature?
- If none, pressure will all be on assessors
- Business community wants it to be implemented ASAP – principal beneficiaries
- Final data won't be averages – the individual cases will be the problems
- Make adjustment on fall bill only – greater impact
- Key ideas
 - o Effects of later billing and budget cycles

- o Pressure upon assessors to complete task
- o Individual cases of hardship will result
- o Business want implemented ASA{
- Prepare people
- Possibility of monthly cycles for tax payments
- Sales tax as a way to shift burden: increase? Expand to services?
- Fiscal home rule: localized methods of revenue generation
- Removal of exemptions – churches, VFW, restaurants, etc
- Payments in lieu of taxes – for services received
- Shelter allowance
- Key ideas
 - o Need to prepare people
 - o Shift to monthly tax billing
 - o Alternatives
 - Sales tax expansion
 - Fiscal home rule
 - Reduction in exemptions
 - Payment for services

Table 2

Major Concerns

- How will it affect older people on a fixed income
- How will it affect property inherited and it is not a primary residence
- Rules aren't equal between residences vs. commercial Shelter allowance, \$18,100, put on the assessor's office; it will take some property off the roles; how do you define the permanent residence – what if people move? If people say yes – you must give it; how do you check these out?
- How close this is to the evaluation process the real estate people use?
- Personal property use what is market value?
- The amount of time to implement, the lack of training
- The legislators demand implementation, but they don't realize what they are asking
- How will this affect farm land? Is farmland really priced as market value?
- Personal Property – we have proposed but what are the new rules; self-assessment for Business Owner
- I don't know where the figures are coming from? 29%; could this be publicized?
- I have a problem with self-assessment on personal property
- Older people on fixed income feel more than fear of being forced from their homes; will kids have to pay for it?
- Is this too big a jump at one time—needs to be a gradual increase
- The whole system process over the past two years is ludicrous—wait until last moment
- Assessments are now every 4 years, increase gradual over 2 assessments (8 years)
- People need to get use to being in the 100% instead of divided by 3

- Some examples generated increases of 295% and 205%
- Info/Assistance to make it possible
 - o Immediate Training-Manual, process, computer system, software, when will we get the software
- The County Council is not co-operative with staffing—they shut down funding
- If you were to fill out raw forms to people, would it help the process? Couldn't the owners help with the information?
 - o Closer contact with State Board
 - o Would it help top contract this process out?
 - o Double shifts to keep the computers humming
 - o For people who bought or sold homes in the past 4 years – could we use those figures?
 - o Equalization process between townships, counties—more information needs to be shared and they work together—are they inline with each other?
 - o Computers and software that are compatible and the training; need Pentium 4 and MS 2000
 - o Will have to go with Version A because there is no time to look at other versions
 - o Time because we are crunching numbers by hand
 - o Line Item in Tax Levy is that enough? It is used properly GIS
 - o Need more cooperation and understanding
 - o Money from the state
- Assume it won't be accomplished by March, 2002
 - o Asking state to push other deadlines to allow more time for certifying the assessments; would this be helpful – it would buy
 - o Allow us one more year to see how it will come out; use current system one more year
 - o System has been screwed up for years; now is the time, but we could carryover the last year's levy for 2002 payable in 2003; keep pushing for change for 2003 payable in 2004
 - o Increase excess cap 2% more or less—Coping strategy for flexibility of adjustments
- Strategies to minimize adverse affects to large increases
 - o Spread it out over 2 assessments
 - o Not in favor of restructuring—want to keep it local—If you use income is it trustworthy?
 - o Not in favor of sales tax because it shifts responsibility to state from the county – Schools would not be controlled locally
 - o Sales tax increase is good option because we have a regional affect ; but is difficult because if they are proportioned out by the state, you take away how much control the county has over their total income

Table 3

- Fair process of arriving at assessments
- Continuing education
- Communication with the public about what is happening and going to happen
 - o Explain the procedure
 - o Letters and property record card (viewing)
- Not enough software vendors in the state
- Speaking with other people in the state that have gone through the same thing
- Increase the prior tax bill 10% for every tax bill

- Rely less on property tax for goods and services
- Compare us with other states
- Changes in laws
- Fairness issue
 - o Market value comparability property, all impacts
 - o Older homes
- Scope of problem is very great
- Process of reassessment if open for discussion – both sides of issue in the general assembly
- Training of assessor
 - o Continuing education-workshops
 - o Information of communication—explain procedure
 - o Get a) reports from other states, b) need software vendors
- Suggestions for what we do if we don't meet March 2002 deadline
 - o 10% to everyone all real estate
 - o Or old bill + amend later
 - o Legislature move to solve with other sources (income tax, sales, etc)
- Minimum affects on taxpayers?
 - o Tax bill assessment up, rates down
 - o Less property tax
 - o Info out, increase sales tax; 5 income tax
 - o Compare with other data – info to all of us

Table 4

Question One – Major Concerns

- Timing – implementing new system nearly impossible; keep two sets of books? Small staff, 4 person office
- Everyone thinks the deadline will be extended, but what if not?
- Timing is not more important than accuracy – do it right or don't do it
- Tax Fairness
- Why do we give breaks to businesses, utilities? The whole reason we want them in our communities abatements is to help with taxes
- Tax policy... if we raise the sales tax to 6%, might that lessen the need for property taxes?
- Prefer to pay 7% sales tax, and no property; with sales tax, perhaps the state will cut back tax or mandate

Question two: Additional information and assistance to complete

- Hardware requirements – just another unfounded mandate
- Counties even had to pay for state tax manuals
- Counties have three choices to determine market value? That leads to inequities; ridiculous
- We feel state should provide hardware, and software training
- State needs to get the judge to delay implementation; or else it will not be done on time, and done correctly; and if it can't be done correctly, don't do it

- Remove the need for assessor to interpret; make it black and white, and consistent
- Increase sales tax, stop taxing property; perhaps even put that on a referendum, and let the public decide
- Ownership of property has nothing to do with ability to pay; better to link taxes with money that is made

Question Three

- What is the full cost of maintaining a property tax system? Personnel, hardware, records storage?

Question Four

- How minimize effect on taxpayers?
- What should IACIR tell general assembly?
 - o Eliminate property tax
 - o Increase sales tax

Table 5

What are the major concerns about reassessment process? No hard facts pushing through

- Apartment owner – concern that historic location and building high reassessment will be devastating, fears that taxes may double – tenant probably cannot bear additional burden
- Deadline too quick, what is hurry, given potential impact on people, can't they wait?
- Commercial tax may be reassessed down, but probably not apts.; age may help in commercial sector
 - o Vanderburgh City may bet 30% income because of housing stock
- Bloomington and Vanderburgh Assessment farther along
- Is this another piece meal approach; really need total rewriting of tax
- Politicians sat on this for three years without acting; forcing action with inadequate planning and input
- Disincentive to move to downtown and fix up older property
- Fixed income
- Focus on improving downtown
- Cities need revenue to generate
- Who pays tax may shift
- Distribution will shift, not getting more money
- Older home has disadvantage
- Disincentive to older properties and burden on fixed income
- Policies are confusing, but impact on public not yet
 - o Increase gasoline tax
 - o Sales tax increase

What additional information and assistance to complete incomes is really possible

- What's the hurry? Don't exactly know
- TIF?
- Rules have been or will soon be published; how come not in stages, not clear – most people have not read new rules
- Garys? Doesn't know if counties equipped to implement new hardware
- Timing is a problem? Re? New assessors to be elected
- New amendment goes out in 2002

- Reassessment manuals are ready and on internet
- Deadline is set, but tools not ready
- State needs to certify software to move process along
- Reassessment cannot be completed by 2002
 - o If not, would have to go back to prior year budget
 - o How do local units deal with shortfalls?
 - o Would have to reassess, cut services
 - o Property owners will not put \$ back in buildings, cut employees, always disincentive to fix-up buildings
- How do we handle?
 - o State needs to provide a safety net just in case no \$ there and reassessment not ready & can't send tax bills, or relaxation in rules
 - o Need shelter allowance or historic credit for older home that's been fixed up; both commercial and residential credit disincentive to fix up
 - o Mayor cannot rely on level of income to meet basic costs to operate city
- Not knowing assessed value will upset budget cycle
- How to be done by end of year
- Strategies and Additions
 - o To minimize effects on tax payers from reassessment
 - o What feedback to general assembly?
 - Give historic and commercial tax credit for older buildings (means less revenue for municipalities)
 - Raise sales tax and
 - Remove school budget from property tax
 - Fixed income and low income would pay out bigger percentage of income as consumer
 - New taxes that move toward consumption and less pressure on property tax
 - Phase in instead of one time impact
 - Can't look at this in isolation because of domino effect
 - Tax on services – haircuts
 - Reduce the amount of money that comes from property tax

Noblesville, Indiana - November 5, 2001

Comment Cards

- Have a cap on properties where owners are on fixed incomes of a certain amount, AV is less than a certain amount, they have lived there over 20 years, and owners are over 65
- No abatements, no more TIF districts
- Limit exempt properties, put a cap on \$\$ than can be exempted
- Direct lottery funds toward property tax
- The old folks on the family farm are assessed too high. I was born on a farm of only 62 acres. I am the fourth generation to live there. Today you do well to make enough on that farm to pay your taxes. How am I supposed to pay more taxes? Do I have to sell the old home place to pay taxes?
- Government must make sure the public can have confidence in the fairness and equity of the assessment.
- Some educational efforts via TV needs to be done. (Not enough people read the newspaper.)

- Make sure it is fair and equitable to all residents in all counties. Do it right!!
- Most important item: significant tax increase on older homes occupied by elderly citizens with limited incomes and assets.
 - 10-15% increase should not be a burden on many working families
 - Advantage of property taxes for schools—income does not decline significantly during an economic downturn like sales tax and income tax
 - Bottom line: how much am I going to have to pay?
- I am extremely disappointed that this process has taken so long to get to this point. There have been too many delays in getting the manual published.
- Let the residents know up front what is going on and what they can expect at the conclusion of the reassessment
- Is it going to be fair to all?
- Can it be done properly and in the time frame.
- Tax exempt entities should pay something, not go scott free
- Knowledge to public—give communications through area papers, etc.
- Ounce of prevention – make public understand what, when, why, examples of how each may be affected
- Emphasize equality of assessment to value of property
- Help assessors by explaining rules before tax bill received by taxpayer, thus eliminating same question being explained to individuals separately and many people appealing assessments
- Special help to elderly on set budgets owning older properties if possible
- Raise sales taxes, lower property taxes
- Update assessment values regularly based on sales price of properties when sold
- Use a flat tax (sales) no rebates and no exemptions
- No TIF districts
- No tax abatements
- Everybody pays their fair share
- Senior citizens should have an “age” abatement; after paying for so long they are done
- Meet deadlines; stop the excuses. If the state or local government believes an individual is not meeting a mandated expectation, the individual doesn’t get any slack
- Rather than just “fixing” this illegal property tax assessment process, the legislature should have been working the last three years on a more overall, equitable tax process
- De-emphasize property tax, add one cent sales tax to that town. Same to county, thus seven cents.
- Increase gas tax to pay for all roads
- Recommend looking at other states to see how they addressed big shifts to homeowners
- State needs to help counties in getting software faster
- Really concerned about older homes that have appreciated in value, especially if there is older person on fixed income. Suggest “flat-lining” those taxes.
- Consider state funding of the entire assessment function
- Support of a fair and equitable property tax exemption system
- Establish procedures for periodically reviewing the validity of preferential property tax treatment for individuals
- Remove property if it does not meet Art 10 Sec 1
- Publish a list of tax-exempt property

- Tax relief given uniformly
- Exempt properties should make payments in lieu of taxes for services provided them by government
- Eliminate mortgage deductions
- Excellent format & discussion topics. Any chance that these forums could be expanded to more locations
- As a private tax-paying citizen I have no interest in how reassessment is accomplished except that I wish to see my taxes be as low as possible. I expect that tax bills be prepared fairly in that all assessors in a county come very close to true market value, and that this is done as inexpensively as possible so as not to eat up tax revenue that could go to projects that directly benefit the tax payers. What works for me is information to assure me that the above is being done.
 - o I expect a fair assessment countywide, that is very close to true market value, and that the reassessment be done as cheaply as possible.
 - o I wanted to know how the reassessment is to be done to find the true market value of property. I did not obtain this information at the forum. As a retired person that lives on a pension that over time varies little, I am concerned that the new tax assessment will result in a tax bill that will take a larger portion of my income, leaving me to have to cut back somewhere else. Except for businesses that provide direct services to me, I have little interest in businesses. (I don't have and don't need a job.) However, I don't wish ill on any business (including farmers) and wish all success in their businesses. I expect businesses to be treated fairly by governments.
- Would like to have copy of presentation, very interesting. Well done!
- Make sure the changes don't have a negative effect on economic development tools, such as tax increment financing.

Table Discussion Notes

Table 1

- Concerns
 - o Timing-not enough time to complete reassessment
 - o Not enough time to appeal-lots of appeals under old process
- Explanation – need better explanations of “neighborhood factors ”
- Impacts – what happens when increase CAN'T be paid
- Communication/Public Relations – important that local officials keep talking to taxpayers – keep explaining
- Restructuring – shouldn't rely so much on property taxes anyway
- Flat Tax & Age abatement
- Agricultural property – concerned about state losing farmland as an impact
- Major Concerns
 - o Tax payer-cost, how much tax rates
 - o Assessor – administrative responsibilities
 - o Shelter allowance – is it fair?
 - o Concerned about overall economy because of major change in the tax system
 - o More information, via public meetings
 - o Improved clarification of the tax bills
 - o Public needs more information
 - o Uniform assessment software
 - o Postpone reassessment by one year
 - o Software company needs to produce software now

- o Put exempt properties back on the tax rolls, ie, churches, hospitals, airports, non-profit groups (limit the dollar value of exemptions) (delay billing date by one year)
- o How about using lottery funds? NO BIF
- o Older homes and the impact on taxes
- o Time between reassessment
- o 1995 reassessment
- o Over-65 exemption
- o Inequity in ratios between similar properties
- o Ways that a home is assessed (i. e., toilets)
- o Protections for senior citizens
- o Political decisions on assessment
- o Market value appraisals should be used more
- o More information on market value vs. appraisal
- o Delay amount till November payment
- o Pay the estimated rated amount in March
- o More upon with information on exemptions and impacts on tax increases
- o Increase the sales tax
- o Sin taxes
- o Increase income tax
- o Problems with budgeting—sales and income go down in bad economy

Table 2

- Concerned about outcome; downtown, older, residential will be hit hard (100-year-old homes with large amount of depreciation)
 - o All impacts are shown as being negative; business only positive side; should show more positive results
 - o Funding already difficult from council members
 - o Education at all levels from council members through all levels
 - o All townships within county; this county still fixing problems from last reassessment and now have to rush through another reassessment; no one realizes the knowledge needed to perform duties
 - o Possible need a full time appraiser on staff
 - o Council members not willing to staff and fund local offices
 - o How is the cycle currently handled
 - o Should be asked to guess on interior changes
 - o Possibly should require taxpayer to file on changes otherwise there is a fine
 - o There should be more requirements in taxpayers to let assessors know about changes
 - o Assessors should be taken care of to maintain correct assessments
 - o Condos have not been addressed at all in new rules
 - o Land rules are not specific enough
 - o Budgets extremely limited by state and cannot finance need; must take care of assessor in order to bring in values
- May have to do a very poor job of getting done to make deadline

- As assessors, we do not want to be hunt out to try to defend what the state has forced on us
- Appeal procedures currently limit assessors to have to defend assessment three or four times to stay within statute
- Will not be able to get all fieldwork, data, enter changes, get new software, etc.
- If we use current table and then there is a postponement, we will have to redo all work
- Have other states gone through same problem and how did they handle this
- Possibly give older people an exemption from the school portion of property tax
- Increase sales tax?
- If sales is increased, then state has more control ; the smaller the government, the more localized it is; the more confidence taxpayers have in government
- If software not available soon, and start entering NC02/03 and set software in January and then all current entries in the incorrect database
- Sales disclosures should be more closely scrutinized prior to us receiving the disclosure so that we have more valid disclosure

Table 3

- Never understood the old reassessment system, now know even less
 - Skyrocket tax on older structures
 - Hate changing rules mid-stream; ex. Before tax, could leave one wall up & considered a remodel to get lower tax; now, will be hit hard
- No understanding of new or old system
- Won't give any thought until get tax bill
- Send out estimated tax bill – way ahead of time
- Now just an educated guess, until reassessment completed; won't have accurate numbers
- How come process took so long for tax board commissioner to come up with new rules?
- Politics certainly plays a part
- Broad based, equitable
- No new system will be fair unless eliminate property tax
- State gross product? 3% sales tax – tax goods & services & eliminate property tax
- Concern with people who can't pay property taxes
- Something must be done to help prevent burden shifted to residential property owners
- Why does utilities & business reassessments decreasing
- How can there be no additional money if residential property owners paying an average of 13% more
- Achieve gradual increase of income tax that is progressive
- Answer – spend less
- Some way to get new construction on rolls right away vs. 23 months later?
- Not have other business/residents “subsidize” them
- Mass mailing – too expensive, people won't read unless it screams “oh my God” I better read this
- Frustration because personal property tax rules have not been adopted yet
- So, assessors don't have software to even do assessment yet
- Tax board hasn't done job to allow assessors to do their job yet
- What will we do if assessment not done by March?

- Something the general assembly will consider
- How come house/senate haven't addressed earlier?
- Ct. began; wasn't a legislative issue
- Basic flaw – assessment system is very subjective
- 1000 assessing units in state (explained different assessment systems)
- Lack of uniformity among assessing units
- Must be changed by statute – make county assessor as ultimately responsible
- Kernan Plan – have reports come out w/plan?
- Repubs listed criteria that all tax plans should include
- If reassessment is going to happen, why are we wasting our time talking about this
- Confusion about this forum being about tax restructuring rather than reassessment
- Issues about land zoning
 - Agricultural land paying \$1000/acre with \$1M/acre
- Shouldn't reassess land currently used as farm land
- If reassessment not completed, how can they send us a new tax bill?
- Tune up between what did & should pay
- What will banks do?
- What if house was sold in-between?
- Serious educational effort needed
- Won't want to be incumbent
- Incumbent/election forum in April (by LWVHC)
- TIFs concern – viability in future
 - If play w/this: disincentive to help infrastructure that spurs economic growth
 - Decreases effectiveness of use?
- Didn't understand about decreasing government interest rates?
- Concerns in econ dev community about TIFs
- "Unfair burden" to businesses over long term, but didn't do anything w/inventory taxes
- No big picture view of all taxes
- Get up and do something – General Assembly
- We need to address, but have differences between House/Senate/Gov
- If given to nonpartisan group, could they come up with an answer?
- No consensus within party of what should be done? 150 different opinions
- How do we get them to work together? Under pressure eventually that have to do
- No leadership on either side; Gov washed hands of it, that's why punted to LG; need stronger leadership from both sides
- Would help if people had pie chart info that tax board consultants give (Bev had)
- Property tax exemptions
- If give credit, then overstep market value system; could easily be challenged in ct. ; e.g. , Shelter allowance in Govs plan, residential owners only not renters
- Too many attorneys involved

- Any demographics re: age of home w/age of residents? Generalization that older people in older houses?
- Nothing we do will be fair to everyone, can we look at income based tax credit?
 - o What they make vs. reassessment
 - o Based on economic need
- What portion of taxes is appropriate to come from property taxes? Sales? Income? These are questions the General Assembly should consider
- What do other states do?
- Residential base requires police/fire/schools
- Businesses require less but pay greater utility costs
- How much as state budget grown in last 5 years? – Significantly 94-99 – revenue receipts 5% higher than spending 2000 – revenue increase dropped to 3%
 - o revenue increase dropped to 2%
- Rate of spending increasing quicker than revenue
- How can the numbers be so different within republicans and democrats?
- Allow schools to charge impact fees like? Pavus?, infrastructure, etc ; help minimize impact
- Give people a grace period? Delay?

Summary

- Need a fallback position if assessment falls through
- Need communication plan to stakeholders somehow in advance of what their assessment is/will be (send an estimated tax bill)
- Need something in place to handle the fallout when assessment occurs
- What do we do for people who just can't pay?
- Perhaps delay to 2004 the new tax bills and have 2003 based on old assessment with information telling stakeholder what it will be in the future
- Appeal process? Will there be sufficient time
- How will market values be determined? Neighborhood factor?
- Why is the burden shifting to residential?
- Flat tax to everyone; not a reassessment process Spread the burden to all residents, not just land owners
- Creating a more complex system that still doesn't solve the tax assessment problems
- Senior citizens on fixed income can't "keep the family farm" on this type assessment and taxes
- More clarification on neighborhood factor
- Values based on property as it is used now – residential vs. agricultural or business
- A longer appeal process
- More public information from county assessors to local taxpayers
- Easing of the tax deadline for payment of taxes
- Extend deadline for the? fine?
- Change the way taxes are determined – restructuring
- Lot of public relations

Table 4

- What are your major concerns about the reassessment process? Timing & accuracy, tax rebates
- Timing-when will it be brought to a conclusion
- Who does it?
- How are they going to get it done?
- What impact will reassessment have on tax rates?
- Will I still have time to respond to the Form II?
- Biggest concern: Accuracy
- Current economy will have an adverse impact on values
- Picking up additions to property is that a problem
- My neighborhood has 300 homes w/varying quality-how will that be addressed?
- Software-Change in vendors could be a problem
- Some concern w/new hardware
- Disclosure of facts is critical
- Most important to taxpayers isn't AV, its taxes paid
- Current system is more confusing than the proposed system
- Taxpayer education is the greatest challenge with this reassessment
- PR Campaign may help with differences between AV increases and tax increases
- Who is the average taxpayer?
- Average citizen doesn't even understand
- General Assembly plays a critical role
- Deadlines are not that significant
- No penalty for failure to meet deadline, what reward is provided
- Right to be ignorant and stay ignorant is a constitutional right
- Can they retroactively collect taxes on properties that did not pay their fair share?
- Can one county go forward with new values?
- Does the General Assembly have to do anything?
- Can the judge(s) with the tax court or Supreme Court get further involved?
- Do we really know what the impact is?
- Should we want to fix the problem?
- Why are mobile homes going to be exempt?
- Taxpayer education a must
- Protect elderly through increases
- Can't even buy farmland for 1,050/acre
- Texas—pay back for agriculture land going into development
- Phase-in of tax increases – is this an administrative nightmare?
- Is tax restructuring an appropriate response to a system that will be more equitable?
- Two themes: taxpayer education; bottom line is taxes

Table 5

- Why older homes being hit so hard?
- Not true market study
- Using sales data
- Limited by the manual
- Chart confusing not straight, includes all property
- Personal property folded into the average
- Sr. citizens owned homes # of years, they get significant hit
- Does public understand all levels of government fought courts instead of educating the public
- Municipal offices help educate
- Educate: why rely too much on media to get message out
- I knew all the issues, how to educate? mailings, etc
- Held forums no one comes
- Homeowners association no one comes
- People won't know
- Taxes go to mortgage company
- New home owners not understanding, blame mortgage company, monthly payments charge
- Appeal process, how to . . . web site, flyers
- Managers who have condos – educate them
- Different township, different rules, not assessed equally, new system will help
- Problem – subjective
- How it effect town/county budget, will we have figures in time budget
- Timing/election, who takes heat?
- Business tax coming down/higher assessed/different rules
- Depreciation of building, older commercial
- Flexible deadline/not realistic
- Still subjective
- Sect comm. dep. /too high = low values (how they shifted burden)
- Appeals process will increase, beef up schedule
- New focus or market easier to explain
- Use sale disclosure
- Are people fair & truth – mandated on deed when filled out
- Ones through realtors accurate
- No solution to speed up process
- If we had time to prepare: pretax letters to let people know we don't have time
- Legislature change rules form 11 goes out-doesn't have to go through appeal process
- Expense of two mailings
- Public relations – state help
- Some public doesn't believe this is going to happen

- We are going to have forums each township, nobody comes, we can at least say we did our job
- Blame legislature for not getting it done; public doesn't think they can make a difference
- Not in local paper until yesterday, need help from local paper, TV
- Use last year's value
- Hamilton County will be done
- In 1995, state didn't get tax rates out in time, went to 10 largest comp; figure & they had to help advance to schools
- Outside counties control; schools in 2 counties; one finished, one not
- Expect guidance from the state if we don't have new values
- St. Board suggests use current year, old assessment values
- Do only one settlement in the fall; have to borrow money
- Majority will be done; may not be pretty
- Shift in taxes/ TIF, schools
- Shelter allowance; amount different each county; (what it takes in your county to sustain minimum shelter) provide shelter 16,000-22,000
- Legislature should have created exempt, not tax board
- Assess concerned about admin
- Don't have to file\ Rental home property; how do we know?
- How many you provide shelter to?
- Other: mortgage, homestead, ? GO? then, Vet, Senior citizen
- Should have increase homestead
- No one understands/needs to be simpler
- Work away from property tax, not equitable between two neighbors
- Less reliant on Property tax, with sales tax
- Economic development
- In Illinois, income goes to local when generated 6 3/4, 5% state, 1 _ in corp. area, _ county
- Look for business high income
- Pressure to increase property tax to get a decent share
- Cal = 8% sales tax
- Home rule
- Increase sales tax where sale generated, local authority to increase gas tax to pay for roads
- Easier to collect sales tax
- They do need to remove the legal formalities in the state appeal process; costing \$\$\$
- Some states freeze property tax for seniors; the difference is due upon sale, like California
- 30-60 days appeal extend time because of crunch
- Should be easier?
- Neighborhood factor
- Why the shift, business-residences
- Concerned about agricultural land increase
- Prefer some other tax to hitting landowners

- What if sold for a lot "next door"
- Delayed too long already
- TIF districts and tax abatements
- Trying to maintain Senior lifestyle, bad impact, loose the farm
- Time limit on how long you pay taxes
- Neighborhood factor, sales disclosure data
- Seems like should be standardized
- Longer appeal process
- Taxes based on escrow (mortgage)
- Can only go up a little/year
- Notify township/county citizens better in advance/good communication
- PR nightmare
- Businesses could give "tax break" to educate
- Easing of deadline for the Tax bill
- Only helped if want to sell
- Extend deadline for tax bill
- Depend less on property taxes
- Restructuring system "consumer tax"
- Inventory tax-loose it
- Lose floor for depreciation
- Impact fees
- Need a lot for PR

Fort Wayne, Indiana - November 12, 2001

Comment Cards

- Put the reassessment in place and let the General Assembly make the changes as they relate to the tax shift
- How will reassessment affect distribution of COIT and EDIT funds among local governments within various counties? As shifts in AV occur among local governments, will this affect distribution of COIT and EDIT?
- State should contact two vendors (software) to certify reassessment. Delay budgets at least one month with State Budget division still providing rates by February 15th. Maybe postpone new values one more year. Use 2001 values & add in for new construction
- Fairness and timeliness of values. Shelter allowances. Need to watch the effects in relation to TIF districts, abatements and bond issues!
- Maybe need review of some of the tax exempt property. Our county has several large assessment properties that are paying no taxes. Maybe all NFPs (exempt property) should pay some local tax to help pay for services they expect to receive—fire protection, sheriff protection, etc.
- Would be helpful to include more explanation at forum. Most people wanted answers to how new system will work.
- One comment: The entire population of Indiana needs simplified information on what assessment was and what this change is. If more information is given and understood, more input from citizens will be given
- Legislature needs to examine statutory approach to an extension for completion of the reassessment.
- Time and training

- It is working – get Lake County on board.
- I am concerned because we are a low-income, five-member household. We own our home which is 100 years old. My husband works to support us, as I stay home with our three children. We struggle now. If we have an increase in property tax, that will hit us hard. I am just very concerned. On the other hand, I am also concerned about school funding. Our children will be affected if our school's funding is cut.
- Uniform hardware/software. Do this like a business would have to if given some large task.
- Training for assessors
- Local/state responsibility: Should have input from local but state needs to make decisions so this is uniform
- Will the system allow for fluctuations in revenues for the state?
- What effect this would have on schools
- Shouldn't more property owners be more concerned about this? Where are they?
- I feel hardware and software should be in place before this starts. Training should also be complete
- Will schools get less money than they are now? Will this lower the quality of our children's education?
- As a renter, I am concerned about what this will do to affordable housing and future home ownership
- I really don't have any comments. I did find it to be interesting.
- How can a uniform and equal rate of property assessment and taxation happen with three formula choices that are subsequently subjected to non-numeric information? The answer I received was that the appeals process would then generate tax assessment. Did not this create the mess before us now? I fail to see how this process has improved our situation. The public wants to know, in advance, what our tax bill will be and how the amount was determined. I see no way for this to be possible, let alone a way for this to happen.
- Communicate – We need to finish reassessment and let the General Assembly see where the shifts are, then let them deal with them. The estimated effects are old, and no one can actually know what the figures will be until we have actual figures (assessments).
- We need to keep industry and businesses but also need to be fair to all property classes. We need to get politics out of this and study (really look at issues—not political smoke screen) the overall effects on these classes.

Table Discussion Notes

Table 1

- Haven't had a chance to study manual, lack of understanding of the software and new system/formulas; each county has different software; some don't have any
- People don't know that this is going on
- Don't think they'll be done by March 1 (data entry, etc.)
- Impact on older residential neighborhoods (lose the tax incentive of older homes)
- Don't have answers for people who call
- Shelter allowance lawsuit?
- Local government and school revenue impact very uncertain
- Tax shift – impact on agricultural land
- Need time: data entry, study manual
- If no more time, need more training and people
- Information would be nice if there were a way to let people know; a model for their taxes
- Are all the assessors going to be in contempt of court?
- Will delay assessment which would delay revenue; seems likely that they will delay by one year (use last year's assessment);

- then will there be public concern & search for who to blame?
- Is there a way to send out estimated tax bills? We don't think so
 - There are no good alternatives
 - Can court change the deadline?
 - Circuit breakers (agricultural, renters, etc.)
 - Regularize valuation schedule
 - Allow local government options for generating revenue – fiscal flexibility
 - Concern about school funding
 - What should IACIR report to General Assembly? System needs to be simpler and able to be explained to the public

Table 2

- How will it affect us? (100 year old, 53 year old home); renters to buy,
- Agricultural impact upon rural vs. cities
- Software and hardware in place?
- Local control/state control
- 1008 town assessors
- More vendors and not enough time
- Take longer and do it right – delay & have uniformity; why not have each county same with same software/hardware
- Uniform market value across state
- How do other state's do uniform market value?
- Wouldn't the system be too fluid?
- Revenue up and down with the market
 - o i. e., General Motors pulls out, who wants to live in SW Allen?
 - o Major fluctuations: how do you budget?
- Lost property tax revenue would come from sales tax (increase 1%, income tax increase 5%)
- Increase homestead credit
- Take time, just reiterate, other questions/issues
- Would schools get less money per student than at present?
- Businesses in several counties – what to do?
- Don't repeat past mistakes software
- More consistency? Change every four years

Table 3

- Time 6% - no leadership
- Land pricing behind; accurate assessments
- Working with cost approach
- Working with market values
- Not enough training to support market
- Disclosures not good info

- Software not ready yet
- Too many townships
- Staff still deciding personal property utilities
- Property tax 1/3 pie of tax base
- Large counties have different problems—Small counties get smaller percent of state reliefs
- Tax base will be based off of bad data; bad data will not show a true picture and could throw outcome
- Show tax payers where money is going on tax bill
- Most people have escrow tax bill
- Shift of taxes on older homes
- Exempt properties – not for profit legislative changes
- Police fire protection in areas
- Time to get everything done
- Extend date to 2004

Table 4

- The time frame established by the court is not manageable going to a new market value system; if we were not going to a new system, the time frame would be manageable
- Time is needed to establish a database to reflect sales and equalization; time is needed to verify information
- Not all counties are the same; Allen County has much more commercial property; in total, Allen County has 140,000 parcels
- Software needs to be developed; assessors need to have training on new system
- Local units will not be able to prepare budget because AV will not be certified
- Lack of money in reassessment fund; did not expect all these changes
- Computer system needs approval; only two vendors in Indiana
- Personal property depreciation tables will cause appeals/lawsuits; county must certify software? Is that a good policy?
- Market value will cause tremendous shifts for lake and front lots (Kosciusko) ; fine – replacement credit
- Do not penalize locals financially if they do not get the work done (Lake County); do not penalize counties for not getting complete
- Going south
- Renting business
- Send 03 tax bills based on 01 assessment data; allows General Assembly to study shifts and gives assessors more time to complete reassessment
- Delay local budget process by one or two months giving the assessor more time to complete values
- County treasurers need to allow for a payment schedule for people who will have difficulty paying their property taxes
- Make sure people apply for exemptions
- Take schools off – have state increase sales/income taxes
- TIF District Bonds must be protected
- Education of tax papers

Table 5

Major concerns about reassessment process:

- Uniform assessment vs. varying assessment methods that can be used; methods are supposed to generate the same results
- Appeal process may be never ending
- Could appeals outcomes cause a change in the chosen assessment method, and then another reassessment?
- Assessment process is behind schedule
- Application of shelter allowance, and need for adjustments
- Consistency of assessments between individuals and across the state
- Additional information and assistance needed to complete reassessment?
- Funding to complete reassessment
- Tools, (software, etc.) to complete reassessment
- State to clarify the way a value can be certified in a timely basis
- With this problem you won't be able to send a Spring tax bill, then make adjustments on the Fall tax bill
- Need leeway on distribution
- If delays occur, will State Tax Board get approvals back in time to do the Spring bills?
- State to authorize change in dates to give reassessment enough time to be done
- Assuming assessment cannot be completed by March 2002, how will you respond?
- If info not available assessor, then auditor should have authority to certify current year value with a certain percentage increase
- Strategies and actions to minimize adverse effects on taxpayers whose taxes will increase due to reassessment?
- Concern about shelter allowance, who gets, who doesn't, adjustments?
- Sub-county shifts—how will shifts in distributions be affected?

Table 6

Overview:

- Uncertainty, confusion, chaos, fluidity, lack of understanding, can't educate, certain reassessment, can't educate, delay
- Then, Legislature can't respond until results appear; after reassessment and results known, then legislature can meet and mitigate impacts
- Uncertainty, confusion, chaos
- Themes: uncertainty, delay implement
- Should do it, not implement
- Rather observe impacts and allow legislatures to make changes
- Very fluid
 - o What is really going to happen—impacts, burden shift
 - o Public information/education
 - o Cost to assessors (software, training, risk)
 - o Shelter allowance likely to fall
- Training and appeals
- SBTC training is very good and all should take advantage

- Appeal process accessible to typical homeowner, yet appeal should not be made to anyone who established or certified AV
- How do we get full disclosure on comps? Don't get inside house; safer disclosure
- If reassessment can't be completed, how will you respond?
- Legislature can't respond until results appear
- Can move back dates, but eventually this will adversely affect taxing units, especially schools
- Will run dual systems until it works
- Have already experience violence; threat of increased hostility exists
- Once all is in place and results known, then legislature can react and mitigate impacts

Concerns:

- How valid are estimates
- Will it be revenue neutral
- Pro-Val may be best software
- Shelter allowance may be unconstitutional; it may require very late change in the process
- Shelter allowance should have been mortgage deduction/homestead credit
- Should do it and not implement; rather adjust
- Need software; many still don't have and can't afford
- Very fluid; too short of timeframe; delay
- Delay means more delay
- Need information dissemination plan Must educate public
- Who is going to be affected?

Additional needs:

- Appeal process may require an attorney; can we make it less intimidating
- Appeal not to person establishing AV
- SBTC training is good; all should take advantage of it
- What would happen if we had to send out a second tax bill; how could we deal with that?
- If we get through the nightmare, then things will be better
- Will run dual systems until it works
- Can't fail to respond—Judge Fisher won't allow it; can be late, but have to establish AV so tax rate can be established
Failure will create chaos in local budgeting
- Legislature can't respond until results appear
- Need to enforce sales disclosure requirement
- Afraid of violence; actually threatened! Employee quit on the spot
- Marshall resources to assessors and citizens' education
- Need accountability
- County Assessor needs to be approved

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