



Indiana Chamber of Commerce and Indiana Manufacturers Association Tax Committee Meeting

Tim Rushenberg, DLGF, General Counsel

December 9, 2008



HEA 1001 Property Tax *Relief*

1. 2008: Homestead relief (\$870 million)
2. 2009: New homestead credit (\$140 million for 2009 and \$80 million for 2010)
3. 2009: State picks up local levies (\$3 Billion)
4. 2009 and beyond: 1-2-3 caps on property taxes

**NET TAX CUT =
\$600+ Million**





HEA 1001 Property *Safety Net*

1. \$120 million for schools in 2009, 2010
 - 2% threshold
 - Additional referendum levy to modify caps
2. Increases “Rainy Day Fund” (\$84 million)
3. Distressed Unit Appeals Board
 - 5% property tax revenue reduction threshold
4. 2% maximum annual tax bill increase for seniors
 - Making < \$30,000 (single) or \$40,000 (joint) with assessed value of \$160,000 or less



HEA 1001: 1-2-3 Caps

| Property Class | 2008 | 2009 | 2010 (and after) |
|------------------------------------|-------------|-------------|-----------------------------|
| • Homestead | 2% | 1.5% | 1% |
| • Residential property | ---- | 2.5% | 2% |
| • Agricultural land | ---- | 2.5% | 2% |
| • Long-term care property | ---- | 2.5% | 2% |
| • Non-residential real property | ---- | 3.5% | 3% |
| • Personal property | ---- | 3.5% | 3% |



HEA 1001: Local Tax *Control*

- Property Tax Relief:
 - May provide additional homestead credits or property tax replacement credits
 - Counties may adopt without another LOIT
- Public Safety
 - May be used for any public safety costs as defined by IC 6-3.5-1.1-25
 - Allocated to “municipalities”
 - Must be in addition to tax relief *or* levy freeze rate
- Levy Freeze
 - Funds growth in maximum levies for all funds



HEA 1001 More Local Property Tax *Control*

- Consolidation of assessing functions to county-wide officials
 - From 1008 to 43 township assessing officials
 - Duties of township assessors transferred July 1, 2008
 - After Nov. 4, 2008 referendum, went from 43 to 13 township assessing officials in 9 counties
 - Duties of township assessors transfer effective Jan.1, 2009



Distressed Unit Appeals Board

1. Purpose

1. Revenue relief to taxing units with 5% or greater tax cap impact
2. Receive, review and make recommendations
 - Including the proposed financial plan
 - May consider any factor considered relevant

2. Relief DUAB May Grant:

1. Increase the cap percentage
2. Reduce the circuit breaker credit
3. Exempt debt from circuit breaker calculation

* As of December 7, two petitions have been received. Deadline for submission is December 8.



Personal Property

- Updated draft rule posted on Web site
 - [www.in.gov/dlgf/files/DRAFT 2009 Personal Property Rule.pdf](http://www.in.gov/dlgf/files/DRAFT_2009_Personal_Property_Rule.pdf)
 - Additional edits being made and to be posted soon
 - Comments welcome now
 - Rule revision highlights
 - Removal of inventory reporting
 - Form elimination, revisions
 - New explanatory sections on Economic Revitalization Areas and Enterprise Zone Investment deductions



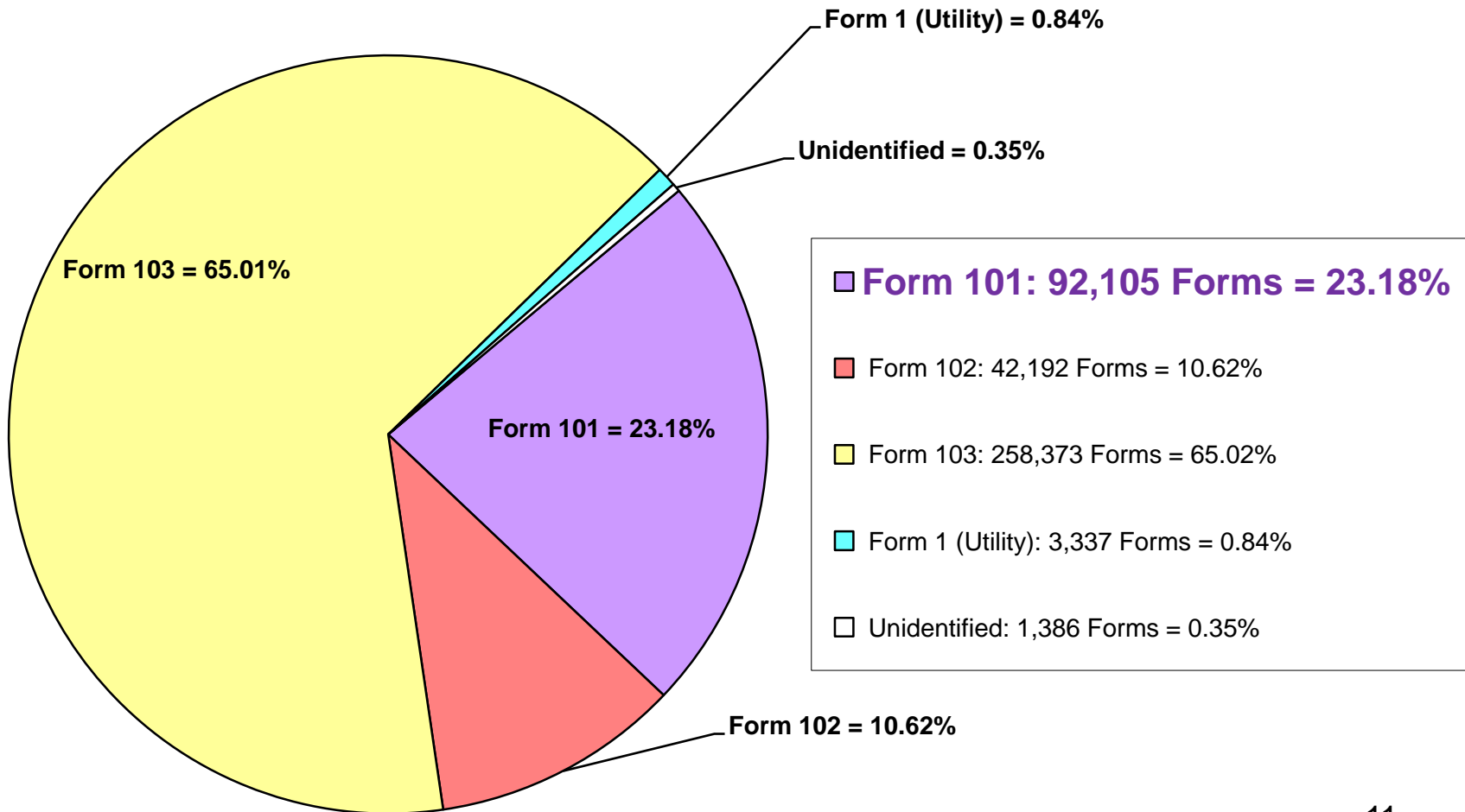
Form 101

- Tax eliminated (effective Jan. 1, 2009)
 - All Terrain vehicles
 - Snow mobiles
 - Human powered boats
 - Yard and garden tractors
 - Motorized wheel chairs
 - Golf carts
- Tax transferred to excise tax and collected at Bureau of Motor Vehicles (effective 2010)
 - Recreational vehicles
 - Truck campers



Elimination of Form 101

Percentage of Actual Forms Filed





2007 pay 2008 Tax Comparison Statement

http://www.in.gov/dlgf/files/Sample_TS-1.pdf - Windows Internet Explorer

http://www.in.gov/dlgf/files/Sample_TS-1.pdf

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STATE FORM 53569 (4-06) APPROVED BY STATE BOARD OF ACCOUNTS, 2006
 PRESCRIBED BY THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE IC 6-1-1-22-81

SPECIAL MESSAGE TO PROPERTY OWNER

Due to recent property tax legislation, taxes for most homeowners have decreased substantially compared to last year. These reductions result from a large increase in state property tax relief (see line 3a below) passed by the General Assembly in March 2008. This legislation also put in place tax caps for all classes of property starting in 2009. Many homeowners will receive a second tax cut when these caps take effect.

HOW YOUR PROPERTY TAX BILL IS CALCULATED

DATE OF NOTICE FOR 2007 PAY 2008 TAXES Notice Date 1. PROPERTY NUMBER (STATE/LOCAL) 1-Property Num State/Local

This notice from the _____ County Treasurer provides additional information about your property taxes. The information provided below includes a breakdown of taxing authority and exemptions applied to your 2008 property taxes. Please forward any comments you may have on the content of this notice in writing to the _____ County Treasurer, (address, street, city, state, zip) or via e-mail to (e-mail address).

| 1. TAXING DISTRICT | 3. NAME AND ADDRESS OF TAXPAYER | 4. PROPERTY DESCRIPTION AND ADDRESS |
|--------------------|--|---|
| 2a-Tax District | 3a-Name of Taxpayer 3b-Address of Taxpayer 3c-Address of Taxpayer 3d-City, State Zip Code | 4a-Legal Description 4b-Property Address |

TABLE 1: SUMMARY OF YOUR TAXES

| 5. TAX SUMMARY ITEM | 6. LAST YEAR 2006 PAY 2007 TAXES | 7. THIS YEAR 2007 PAY 2008 TAXES |
|---|-------------------------------------|-------------------------------------|
| 1. Gross assessed value of property | \$120,000.00 | \$120,000.00 |
| 1a. Minus deductions (see table 4 deductions below) | (\$48,000.00) | (\$48,000.00) |
| 2. Equals subtotal of net assessed value of property | \$72,000.00 | \$72,000.00 |
| 2a. Multiplied by your local tax rate | 0.023731 | 0.024181 |
| 3. Equals gross tax due (see table 2 below for details on distribution) | \$1,708.64 | \$1,741.06 |
| 3a. MINUS STATE PROPERTY TAX RELIEF | (\$560.78) | (\$1,033.64) |
| 3b. Minus Local tax relief | \$0.00 | \$0.00 |
| 3c. Minus savings due to property tax cap | \$0.00 | \$0.00 |
| 4. Total property tax due for current year | \$1,157.88 | \$707.42 |
| 4a. Plus other charges (see table 3 other charges below) | \$25.00 | \$25.00 |
| 4b. Plus current year overdue taxes | \$0.00 | \$0.00 |
| 4c. Plus prior year overdue taxes | \$0.00 | \$0.00 |
| 4d. Minus payments made | (\$1,182.88) | \$0.00 |
| 5. Total tax due plus all other charges | \$0.00 | \$732.42 |

2008 AMOUNT DUE \$732.42

TABLE 2: GROSS PROPERTY TAX DISTRIBUTION RATES AND AMOUNTS APPLICABLE TO THIS PROPERTY

| 8. TAXING AUTHORITY | 9. LAST YEAR RATE | 10. THIS YEAR RATE | 11. LAST YEAR TAX | 12. THIS YEAR TAX | 13. TAX DIFFERENCE | 14. PERCENT DIFFERENCE |
|---------------------|-------------------|--------------------|-------------------|-------------------|--------------------|------------------------|
|---------------------|-------------------|--------------------|-------------------|-------------------|--------------------|------------------------|



2007 pay 2008 Tax Comparison Statement

http://www.in.gov/dlgr/files/Sample_TS-1.pdf - Windows Internet Explorer

http://www.in.gov/dlgr/files/Sample_TS-1.pdf

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| TABLE 2: GROSS PROPERTY TAX DISTRIBUTION RATES AND AMOUNTS APPLICABLE TO THIS PROPERTY | | | | | | |
|--|-------------------|--------------------|-------------------|-------------------|--------------------|------------------------|
| 8. TAXING AUTHORITY | 9. LAST YEAR RATE | 10. THIS YEAR RATE | 11. LAST YEAR TAX | 12. THIS YEAR TAX | 13. TAX DIFFERENCE | 14. PERCENT DIFFERENCE |
| State | 0.000024 | 0.000024 | \$1.73 | \$1.73 | \$0.00 | 0.00% |
| County | 0.005553 | 0.005654 | \$399.82 | \$407.09 | \$7.27 | 22.42% |
| Township | 0.001630 | 0.001658 | \$117.36 | \$119.38 | \$2.02 | 6.23% |
| School District | 0.015188 | 0.015483 | \$1,093.54 | \$1,114.78 | \$21.24 | 64.52% |
| City | 0.000000 | 0.000000 | \$0.00 | \$0.00 | \$0.00 | 0.00% |
| Museum | 0.000017 | 0.000018 | \$1.22 | \$1.30 | \$0.08 | 0.25% |
| Health | 0.000183 | 0.000186 | \$13.17 | \$13.39 | \$0.22 | 0.68% |
| Library | 0.001119 | 0.001140 | \$80.57 | \$82.08 | \$1.51 | 4.66% |
| Airport | 0.000000 | 0.000000 | \$0.00 | \$0.00 | \$0.00 | 0.00% |
| Parks | <u>0.000017</u> | <u>0.000018</u> | <u>\$1.23</u> | <u>\$1.31</u> | <u>\$0.08</u> | <u>0.25%</u> |
| Total Rate or Tax | 0.023731 | 0.024181 | \$1,708.64 | \$1,741.06 | \$32.42 | 100.00% |

| TABLE 3: OTHER APPLICABLE CHARGES TO THIS PROPERTY | | |
|--|-----------------|-----------------|
| 15. LEVYING AUTHORITY | 16. AMOUNT 2007 | 17. AMOUNT 2008 |
| Legal Tile Drain | \$25.00 | \$25.00 |

| TABLE 4: DEDUCTIONS APPLICABLE TO THIS PROPERTY | | |
|---|-----------------|-----------------|
| 18. TYPE OF DEDUCTIONS (1) | 19. AMOUNT 2007 | 20. AMOUNT 2008 |
| Mortgage | \$3,000.00 | \$3,000.00 |
| Homestead | \$45,000.00 | \$45,000.00 |

Unknown Zone

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2008 pay 2009 Homestead Deductions and Cap Calculations

| | <u><i>Pay 2008</i></u> | <u><i>New Law (for pay-2009)</i></u> |
|--------------------------------------|------------------------|---|
| Gross AV | \$100,000 | \$100,000 |
| Standard Deduction | (\$45,000) | (\$45,000)* |
| Supplemental Deduction | N/A | (\$19,250)** [35% of \$55,000] |
| Net Taxable AV | \$55,000 | \$35,750 |
| Tax Rate per \$100 of AV | \$2.50 | \$2.50 |
| Gross Tentative Tax | \$1,375 | \$894 |
| Circuit Breaker Cap | \$0*** | \$1,500 |
| Net Tax After Circuit Breaker | \$1,375 | \$894 |
| Circuit Breaker Savings | \$0 | \$0 |



2008 pay 2009 Homestead Deductions and Cap Calculations

| | <u><i>Pay 2008</i></u> | <u><i>New Law (pay-2009)</i></u> |
|---|------------------------|---|
| Gross AV | \$1,500,000 | \$1,500,000 |
| Standard Deduction | (\$45,000) | (\$45,000)* |
| Supplemental Deduction 35% of AV net of standard deduction up to \$600,000 | N/A | (\$210,000)** [35% of \$600,000] |
| Supplemental Deduction 25% of AV net of standard deduction over \$600,000 | N/A | (\$213,750) [25% of \$855,000] |
| Net Taxable AV | \$1,455,000 | \$1,031,250 |
| Tax Rate per \$100 of AV | \$2.50 | \$2.50 |
| Gross Tentative Tax | \$36,375 | \$25,781 |
| Circuit Breaker Cap | \$0*** | \$22,500 |
| Net Tax After Circuit Breaker | \$36,375 | \$22,500 |
| Circuit Breaker Savings | \$0 | \$3,281 |



Capital Projects Referenda

- Applies to projects greater than
 - \$10 million (K-8 school)
 - \$20 million (high school)
 - \$12 million (local government project or other non-academic school project)
- Memo: [http://www.in.gov/dlgf/files/Memo-Petition and Remonstrance and Referendum Process.pdf](http://www.in.gov/dlgf/files/Memo-Petition%20and%20Remonstrance%20and%20Referendum%20Process.pdf)
- Flowcharts: www.in.gov/dlgf/4988.htm





Nov. 4, 2008 Capital Projects Referenda

- Total of 48 projects in 5 counties
 - Monroe - \$35 million, school (voters opposed)
 - Vanderburgh - \$149 million, school
 - Marion - \$278 million, school
 - Jay - \$10.6 million, jail
 - Bartholomew - 2 school districts : \$89 million & \$18.75 million

Total Passed:
\$545,350,000





Sales Disclosures

- Electronic filing now available
- Central database, Web portal
- Public access to all sales after July 1, 2008
 - <http://www.stats.indiana.edu/sdf/search/>
- 40,654 SDFs filed online since July 1, 2008

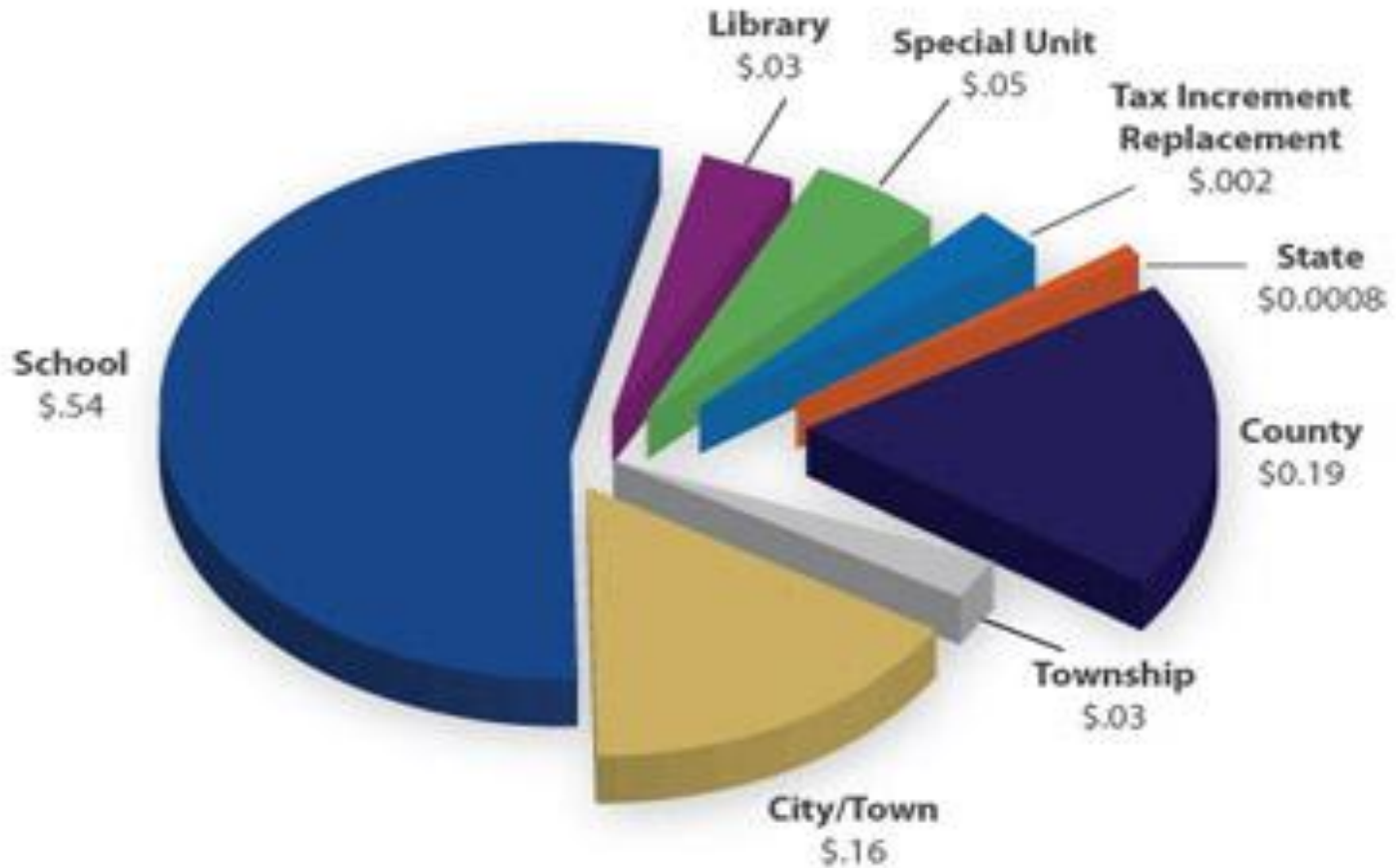


Government Modernization Act

- Indiana Code 36-1.5
- <http://www.in.gov/legislative/ic/code/title36/ar1.5/ch1.html>
- Allows political subdivisions to reorganize for efficiencies.
 - Zionsville – Eagle and Union Townships
 - Greenwood – Bargersville – White River Township



Where do my Tax Dollars Go



STATEWIDE AVERAGE REVENUE DISTRIBUTION OF EACH PROPERTY TAX DOLLAR

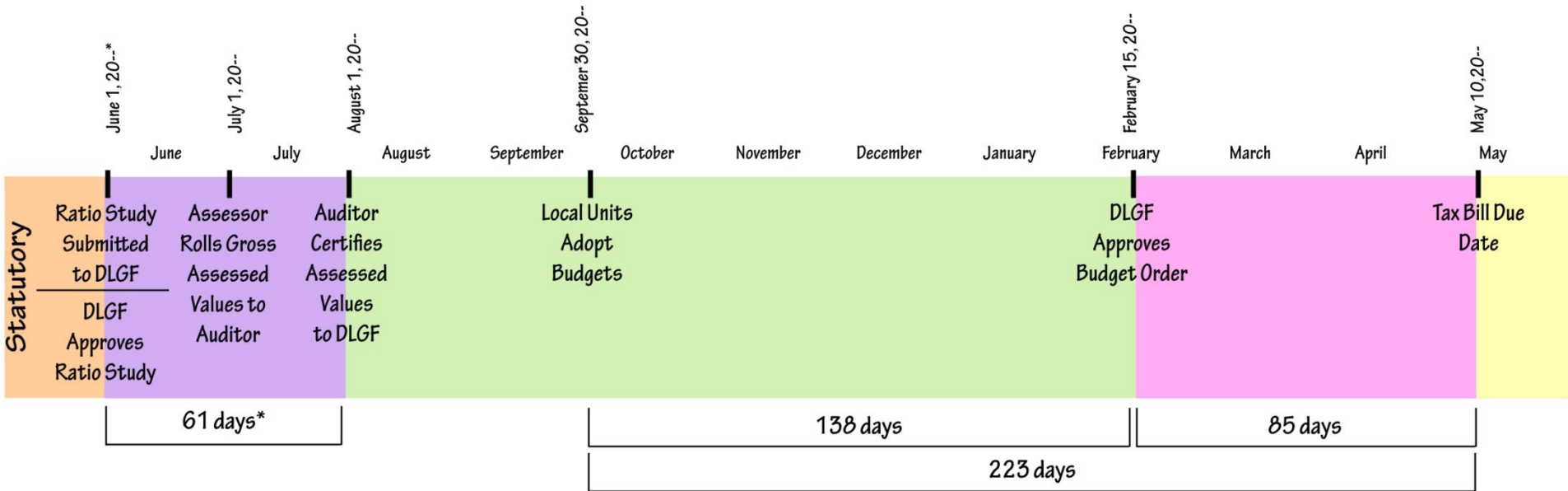
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Source: 2006 Data - Indiana Department of Local Government Finance Local Government Database.



How should the process work?

Comprehensive Assessment and Budget Timeline



*Not a statutory deadline

Department of Local Government Finance
November 25, 2008



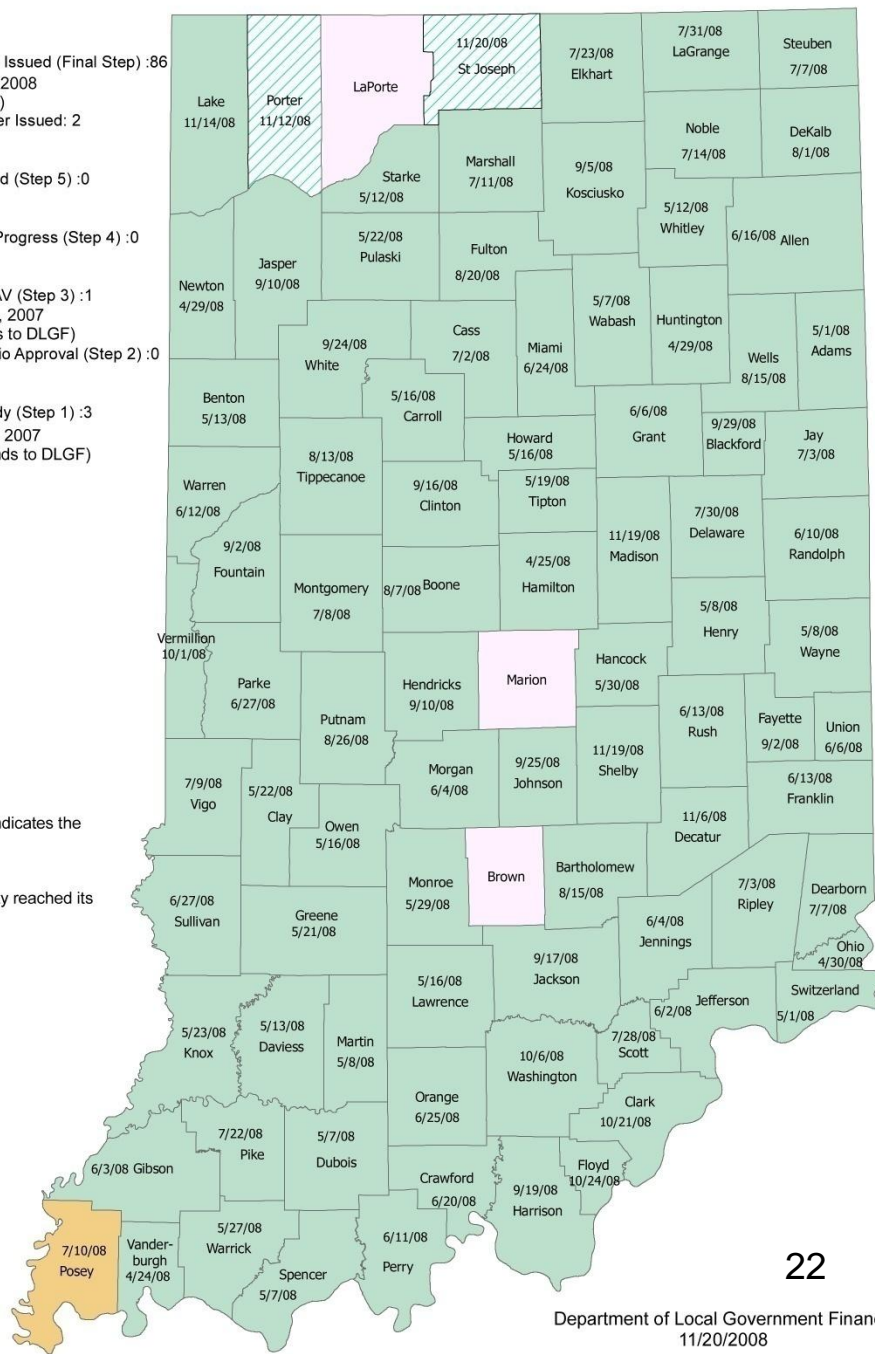
2008 Budget Certification Status

Indiana Counties

- Final Budget Order Issued (Final Step) :86
Due February 15, 2008
(DLGF Action)
- Partial Budget Order Issued: 2
- 1782 Notices Issued (Step 5) :0
(DLGF Action)
- Budget Review in Progress (Step 4) :0
(DLGF Action)
- Awaiting Certified AV (Step 3) :1
Due August 1, 2007
(Co. Auditor sends to DLGF)
- Awaiting Sales Ratio Approval (Step 2) :0
(DLGF Action)
- Awaiting Ratio Study (Step 1) :3
Due Spring 2007
(Co. Assessor sends to DLGF)

NOTE: The current color indicates the previous step has been completed or approved.

Dates show the date county reached its current step.



Status Maps:

<http://www.in.gov/dlgf/6827.htm>

2008 pay 2009 Budget Certification Status Map



2009 Budget Certification Status

Indiana Counties

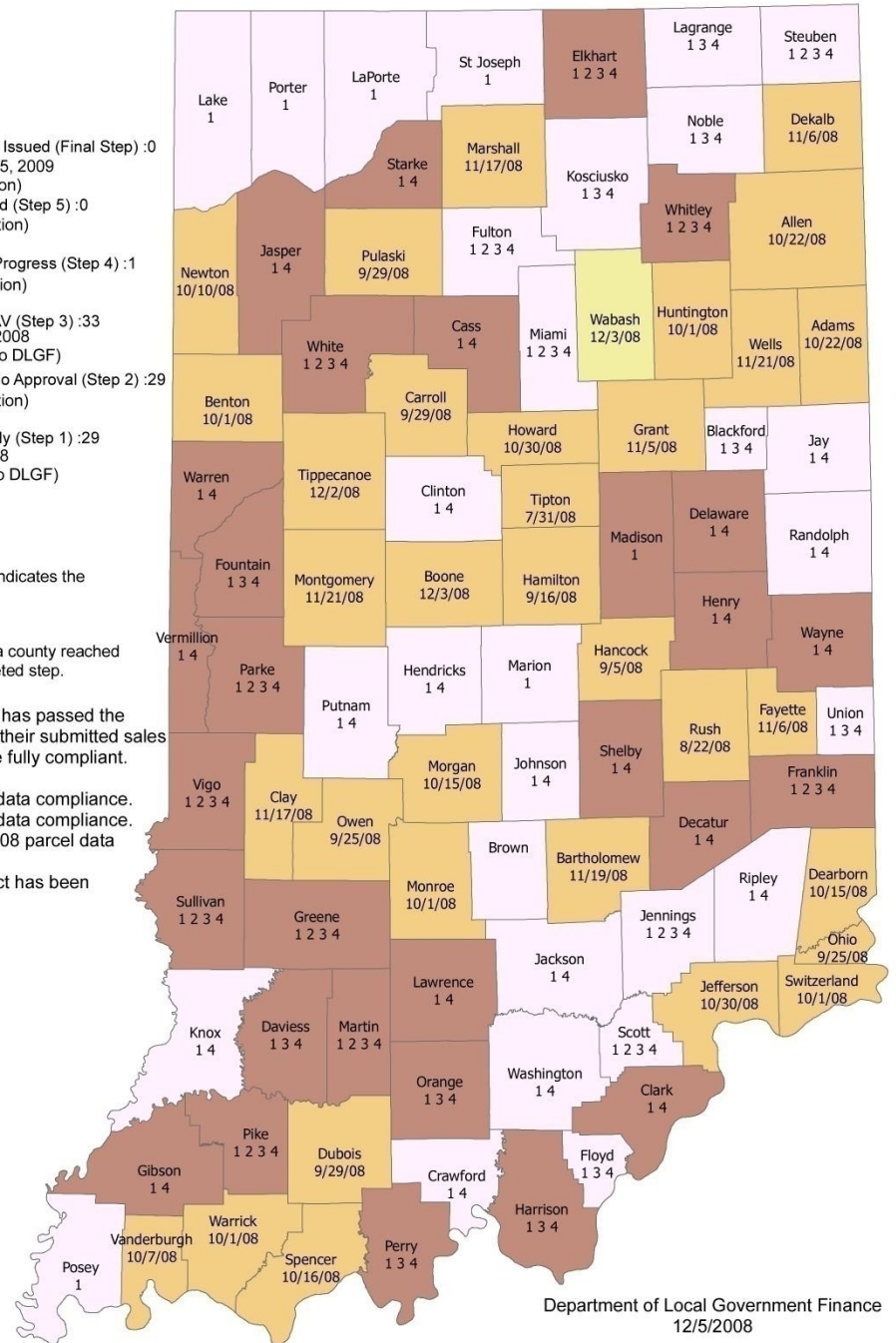
- Final Budget Order Issued (Final Step) :0
Due February 15, 2009
(DLGF Action)
- 1782 Notices Issued (Step 5) :0
(DLGF Action)
- Budget Review in Progress (Step 4) :1
(DLGF Action)
- Awaiting Certified AV (Step 3) :33
Due August 1, 2008
(Co. Auditor sends to DLGF)
- Awaiting Sales Ratio Approval (Step 2) :29
(DLGF Action)
- Awaiting Ratio Study (Step 1) :29
Due Spring 2008
(Co. Assessor sends to DLGF)

NOTE: The current color indicates the previous step has been completed or approved.

A date indicates the date a county reached their most recently completed step.

M-W indicates a county has passed the Mann-Whitney test and their submitted sales and parcel data sets are fully compliant.

- 1 indicates 2006 Sales data compliance.
- 2 indicates 2007 Sales data compliance.
- 3 indicates 2007 pay 2008 parcel data compliance.
- 4 indicates 2008 abstract has been completed.



Status Maps:

<http://www.in.gov/dlzf/6827.htm>



2011 pay 2012 Real Property Rule

- Adopted June 12, 2008
 - www.in.gov/dlgf/files/Adopted_2011RealPropertyAdministrative_Rule_50_IAC_2.4.pdf
- So what's new?
 - No change!
- Assessors already using market value on property frequently bought and sold
- Market value in use for “special purpose properties”
 - Not frequently bought or sold



Property Tax Appeals

- Appraisal is not required to appeal
 - Considered “best evidence”
- DLGF Appeals Information
 - Appeals Web page: www.in.gov/dlgf/2508.htm
 - Appeals Flow chart:
www.in.gov/dlgf/files/AppealsProcessFlowchart.pdf
- Indiana Board of Tax Review Information
 - Web site: www.in.gov/ibtr/



Looking Ahead

- Kernan-Shepard
 - 27 recommendations
- Constitutional caps
 - 2010 ballot if passed by 2009 General Assembly
- More public projects on ballot
- Greater certainty for tax bills
 - More timely tax bills
 - Property tax caps take effect for 2009
- Belt tightening statewide



Contact the Department

- **Tim Rushenberg**
 - **Telephone: 317.233.6770**
 - **Fax: 317.232.8779**
 - **E-mail: trushenberg@dlgf.in.gov**
- **Web site: www.in.gov/dlgf**
 - **“Contact Us”: www.in.gov/dlgf/2338.htm.**