

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6686

BILL NUMBER: HB 1126

DATE PREPARED: Dec 13, 1999

BILL AMENDED:

SUBJECT: Reassessment delay.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill postpones the general reassessment of real property scheduled to begin July 1, 1999, to July 1, 2001 (effective for the March 1, 2003, assessments and property taxes payable in 2004). It requires the State Board of Tax Commissioners to adopt the general reassessment rules before July 1, 2000. The bill also legalizes the State Board of Tax Commissioners' actions in delaying rule adoption after the Indiana Supreme Court rendered its opinion in the town of St. John case.

Effective Date: July 1, 1999 (retroactive).

Explanation of State Expenditures: The State pays homestead credits based on property tax billings for owner-occupied residential property. The homestead credit is equal to 10% of a homeowner's property tax liability through 2001 and 4% of the liability beginning in 2002. Reassessment generally shifts more of the tax burden onto residential property, thereby increasing the state's liability for homestead credits. A two-year delay in reassessment would also delay the state's increased homestead liability by two years. Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any change in Homestead credit expenditures would ultimately affect the General Fund.

This bill requires the State Board of Tax Commissioners to adopt the real property assessment rules before July 1, 2000.

Explanation of State Revenues:

Explanation of Local Expenditures: The cost to local government to complete the 1989 reassessment was \$72.2 million. The cost to local government to complete the 1995 reassessment was estimated to be \$68.4 million. Under this proposal, some expenditures for performing the next general reassessment would be delayed or drawn out by two years. Reassessment expenditures are paid from the county Property Reassessment Fund. The bill allows the use of data already collected and analyses already performed in the

delayed reassessment.

Explanation of Local Revenues: Under current law, the next general reassessment was scheduled to begin on July 1, 1999 and is to be completed by March 1, 2001 with tax billings first affected in CY 2002. This bill calls for this reassessment to begin on July 1, 2001 and to be completed by March 1, 2003 which would affect tax billings in CY 2004. Future reassessments would commence every four years beginning in 2005.

Personal property (business tangible property, inventory and individual personal property) is reported each year on forms prescribed by the State Tax Board. These forms, in effect, reassess personal property each year. Since real property is not reassessed each year, and its value generally increases, there is a shift of the property tax burden each year from real estate taxpayers to personal property taxpayers until reassessment. The length of the reassessment cycle has an effect on the reassessment "shock" that many real property taxpayers experience after a reassessment. After a short cycle, the increase in taxes (or realignment of the shift) due to reassessment is relatively smaller than after a longer cycle.

Local units would receive the same amount of revenue regardless of the effective date of the next general reassessment. It is the source of revenue that changes under reassessment. The only impact to local units would be to their bonding authority. Local units are bound by a constitutional 2% of AV debt limit. Delaying the reassessment would mean that local units would not receive an increase in bonding authority for an additional two years.

This proposal also legalizes any action taken by the State Tax Board or an assessing official to cancel or delay any duty imposed for the implementation of the current general reassessment.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: County Assessors; Township Assessors; All local officials having reassessment duties; All local civil and school taxing units.

Information Sources: