

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7296

BILL NUMBER: HB 1305

DATE PREPARED: Dec 27, 2000

BILL AMENDED:

SUBJECT: Notice of Property Tax Appeals.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill establishes a procedure with respect to a property tax appeal involving at least 1% of the assessed value of a taxing unit for notice of the appeal and of hearings on the appeal to be given to the taxing unit.

The bill allows a county executive to appeal to the tax court upon the request of an affected taxing unit if a final determination of the State Board of Tax Commissioners would result in a claim for a refund that exceeds the lesser of: (1) \$800,000; or (2) an amount equal to 10% of the aggregate tax levies of any taxing unit in the county for that year. It also establishes a procedure for holding in reserve certain property taxes paid pending the outcome of an appeal, and for excluding the taxes from consideration in establishing tax rates and calculating state school support. The bill provides that refunds are first paid from the reserve account and provides for the repayment of refunds in installments in certain circumstances. This bill requires a taxing unit to deposit money held in its appeal reserve fund in the unit's levy excess fund if the assessment or increase in assessment is upheld in the appeal.

Effective Date: January 1, 2002.

Explanation of State Expenditures: *Notifications by the State Tax Board:* Under current law, the State Tax Board must mail a notice of a State Tax Board review hearing date to the taxpayer, township assessor, county assessor, and county auditor.

This bill would also require the State Tax Board to give notice to any taxing unit in which the appealed AV constitutes at least 1% of the unit's gross certified AV from the preceding year (affected taxing unit). This notice would include the appellant's name, address, current year AV, and prior year AV. The State Tax Board would also have to send notice of its final determination to the affected taxing units.

Preparation and mailing of these notices could increase State Tax Board administrative costs. State Tax

Board funding comes from the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *Notifications by County Auditors:* Currently, the county assessor notifies the county auditor of all assessments under appeal to the county property tax board of appeals. The assessor would be required to include the appellant's name, address, current year AV, and prior year AV.

Under current law, the county auditor must notify affected taxing units of the appeal. This notification is made after the township assessor's response to the petition following a preliminary conference between the township assessor and the taxpayer. This bill would instead require the county auditor to send to the affected units a copy of the notification that is sent to the county auditor.

Preparation and mailing of these notices could increase county assessor costs. The county assessor's funding comes from the county General Fund and county Reassessment Fund.

Tax Court Appeals by Affected Units: Under current law, the county assessor may request that the county executive appeal a State Tax Board final determination or a reassessment under Court remand if the adjustment causes a refund of the lesser of \$800,000 or 10% of the total tax levies of all of the units in the county. Under this proposal, the request could be made if the refund exceeds \$800,000 or 10% of **any** taxing unit's levy in the county. The request could also be made by a taxing unit. The bill requires a taxing unit that requests an appeal to the Tax Court to pay for the appeal.

Explanation of Local Revenues: *Payment of Appealed Assessments:* Under current law, the taxes resulting from the contested portion of an assessment are not due until the appeal is finally adjudicated. Under this provision, if an appeal involves at least \$500,000 in AV resulting from an original assessment or an increase of \$500,000 from one year to the next, the taxpayer may pay the tax and the taxing unit would place the payment into an interest-bearing escrow account. If the taxpayer prevails in the appeal, then the taxpayer would receive the overpaid taxes from the escrow account. If the taxpayer does not prevail, the payment plus interest would be deposited into the unit's levy excess fund which is used to offset property tax levies in the ensuing year.

If a credit is due a taxpayer because of a reduced assessment, current law requires the taxpayer's next property tax installment during the year, if any, to be reduced by the amount of the credit. If there is a further amount due after the credit is given, then the taxpayer may file a claim for refund with the county. Under this proposal, if the amount due the taxpayer exceeds \$100,000 and was not placed in an escrow account, the county auditor and the taxpayer may agree that the refund may be made in up to four annual installments with interest at 6% per year. The county auditor, the affected taxing units, and the taxpayer may also agree to any satisfactory payment schedule, regardless of the amount due. Since property tax refunds are deducted from the affected taxing units' next property tax distribution, this provision could soften the effect of the refund by spreading it out over a period of time.

Budgeting with Appealed Assessments: Currently, the county auditor sends a statement to all taxing units in the county that includes an assessed value (AV) estimate for the ensuing year, the current abstract assessed value, the average AV growth, estimates of tax distributions, and other relevant information. This bill would also require the auditor to include the appellant's name, address, current year AV, and prior year AV in the statement.

The bill requires the county auditor to remove appealed assessments from the certified AV and allows the removal of assessments that are part of a bankruptcy and will be uncollectible. For appealed assessments, the excluded AV amount may not be more than the difference between the current and prior year's AV. Assessments removed from the certified AV base would not be used to calculate tax rates by the county auditor. Some counties already take certain contested assessments into account when calculating tax rates.

Currently, if a taxpayer appeals an assessment and doesn't pay property tax on the contested value then the units that serve that taxpayer could suffer a shortfall if the tax rate is based on a total valuation that includes the contested AV. By excluding the contested AV from the AV base, the tax rate will be set high enough to collect the necessary levy without taxes being generated from the contested AV.

The above notification provisions would keep the taxing units informed of the status of their assessed valuation base. The provision requiring contested AV to be excluded from tax rate calculations would help ensure that property tax appeals would not cause a revenue shortfall for local units.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: County auditors, County property tax assessment boards of appeals; County assessors; Township assessors; Local taxing units.

Information Sources: