

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7682

BILL NUMBER: HB 1902

DATE PREPARED: Feb 23, 2001

BILL AMENDED: Feb 21, 2001

SUBJECT: Lake County Property Tax.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill sets a minimum assessed value and a maximum property tax deduction amount for residential property in Lake County.

The bill also requires the State Board of Tax Commissioners to contract with an appraisal / accounting firm to: (1) reassess real property for each general reassessment of real property in Lake County; and (2) examine the proper application of the minimum assessed values, the maximum deduction amounts, and certain limitations on property tax exemptions. The bill directs the State Board of Tax Commissioners to correct any assessment, deduction, or exemption inaccuracies reported to the State Board by the accounting firm.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) This bill would require the State Tax Board to contract with an appraisal firm to reassess property in Lake County for all general reassessments beginning with the one that will be effective for the 2002 Pay 2003 tax year. The cost of the contract would be paid by Lake County. The State Tax Board would be responsible for mailing assessment notices to the taxpayers and the county assessor. There are approximately 224,000 parcels of land in Lake County. The State Tax Board would incur the cost of mailing a notice to the owners of each of the 224,000 parcels. As an example, if each notice cost \$0.50 to prepare and mail, the Tax Board could have an increased expense of \$112,000.

The bill also requires the State Tax Board to contract with a CPA firm (which must be the same firm as the appraisal firm above) to review the implementation of the minimum assessed values and deduction limitations on single family residences. The State Tax Board would be responsible for the cost of this contract. An estimate of the cost of such a contract is not currently available. The State Board of Tax Commissioners is funded from the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The cost of the appraisal company contract to reassess property would be paid from the Lake County Property Reassessment Fund. The cost of reassessment, whether performed by local assessors or performed under local contracts would be paid from the fund under current law. There would be little change in the payments made from the fund.

Explanation of Local Revenues: (Revised) The bill specifies that the minimum assessed value of single family residences, including land, in Lake County would be \$45,000. This minimum AV would be presumed to be accurate under the bill unless it is proven to be inaccurate by clear and convincing evidence. Additionally, the total of all deductions on a single family residence would be limited to \$12,000 under the bill. This means that the minimum net assessed value of a single family residence would be equal to \$33,000 under this proposal (unless the \$45,000 minimum AV is judged inaccurate for a specific residence).

There are a number of residential taxpayers in Lake County who currently pay little or no property tax on their homes as a result of low assessments and high deductions. Since this bill would establish a minimum assessment, the AV tax base would grow. Increasing the tax base would cause a shift of part of the property tax burden from all taxpayers to the taxpayers whose assessments would increase as a result of this bill in the form of a reduced tax rate. The actual amount of the shift is not currently known.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: Lake County assessors; Lake County Auditor.

Information Sources: State Board of Tax Commissioners.