

**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: Mar 7, 2001**

**BILL AMENDED: Mar 6, 2001**

**SUBJECT: Lake County Property Tax.**

**FISCAL ANALYST: Bob Sigalow**

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**FUNDS AFFECTED: X 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 the general reassessment of real property in Lake County to be completed for the March 1, 2002, assessment date; and (2) examine the proper application of the minimum assessed values, the maximum deduction amounts, and certain limitations on property tax exemptions. It provides that a taxpayer may appeal the March 1, 2002, reassessment value to the State Board of Tax Commissioners. 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:** January 1, 2002.

**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 the general reassessments 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.

According to the bill, a taxpayer may appeal the assessed value determined by the appraisal company. This appeal would be made directly to the State Tax Board. The number of appeals that the State Tax Board receives would increase under this bill, as would the expense to dispose of those appeals.

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.

The state currently provides a Homestead Credit against the property tax due on a person's principal residence. The credit is currently equal to 10% of the property tax liability and is scheduled to be reduced to 4% for CY 2002 and years thereafter. The tax shift to homeowners described in Local Revenues would also increase the state's liability for Homestead Credit. As part of the tax burden would be shifted to some homesteader property, the Homestead Credit on that property would increase. Since the net tax rate would be reduced by the additional assessed value, the net tax on homesteads with assessed values that already meet or exceed the minimum assessed value amount in this bill would be reduced. The state would have a reduced Homestead Credit liability on these properties. Overall, since the only class of property with increased values under this bill is single family residential property, the countywide total net tax on residential property would increase and so would the cost of the Homestead Credit. The actual amount of the increase has not been determined at this time. This fiscal note will be updated when more information is available.

**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 \$20,000. 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 \$8,000 under this proposal (unless the \$20,000 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. LSA is currently awaiting data needed to make these estimates. This fiscal note will be updated when more information is available.

**State Agencies Affected:** State Board of Tax Commissioners.

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

**Information Sources:** State Board of Tax Commissioners.