

**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 21, 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 estimated additional state cost for the Homestead Credit under this bill is approximately \$300,000.

**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.

*Assumptions and Method:* For purposes of this analysis, it was assumed that the State Tax Board's currently proposed real property assessment manual will be used to revalue property effective with property taxes payable in 2003. It was also assumed that the actual assessment under the proposed manual will accurately reflect the value of property in Lake County. The analysis also used Lake County multipliers that were previously prepared by the State Tax Board to estimate market values based on current assessed values. These multipliers were applied to the assessed value data for each parcel in Lake County identified as a single family dwelling to estimate the property's value under the new assessment manual. The estimated value under the new manual is the baseline value in this analysis. The minimum assessment and the maximum total deduction were applied to the baseline value for each parcel to produce an estimate of the additional assessment for each parcel as a result of the bill. The additional assessment data was then used to recompute the tax rates for each fund, taxing unit, and taxing district based on CY 2000 net property tax

levies.

*Analysis:* According to the data, there are 140,595 parcels in Lake County classified as single family dwellings. The estimated assessed value under the proposed assessment manual of these parcels is \$8.53 B. Under the bill, 35,822 single family dwelling parcels, or just over 25% of the total number, would see an increase in net value totaling about \$307.7 M. The additional assessed value accounts for a 3.6% increase in the total net assessed value of single family dwellings and a 1.7% increase in overall net assessed value. However, the effects vary widely among townships and communities. For instance, the percentage of parcels with an increase varies from 5.3% in Schererville to 72.8% in the Gary-Calumet-Lake Ridge School taxing district.

The additional net value provided by the minimum assessments would reduce the net tax rate. The estimated reduction in tax rates varies by taxing district from 0.8% in several communities in North, Ross, and St. John Townships to 5.0% in the Gary-Calumet-Lake Ridge School taxing district. The additional valuation would shift part of the property tax burden from all taxpayers in Lake County to properties with increased assessments under the bill. The countywide total shift amount is estimated at about \$11.3 M.

Based on the estimated tax rates, the minimum tax payment on a single family dwelling was estimated. The minimum tax is the absolute lowest tax amount that a taxpayer with the minimum \$20,000 AV and the maximum \$12,000 deduction (\$8,000 net AV) would have to pay. Because many taxpayers would not have deductions that approach the maximum \$12,000 deduction, the tax paid by those taxpayers would be higher than the minimum amount shown. The estimated minimum tax varies from \$129 in the St. John Township taxing district to \$380 in Hammond.

A more detailed summary by township and by taxing district is available from the Legislative Services Agency.

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

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

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