

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6925

BILL NUMBER: HB 1299

DATE PREPARED: Jan 10, 2002

BILL AMENDED:

SUBJECT: Property Tax Matters.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill permits the Department of Local Government Finance (DLGF) to intervene in certain proceedings before the Board of Tax Review (IBTR). It directs county assessors and auditors to provide certain information to the state. The bill increases the penalty for falsifying a sales disclosure form, and establishes a penalty for failure to file the form. This bill requires filing of property tax exemption claims with the county assessor. It permits a county property tax assessment board of appeals (BOA) to review and act on an assessment agreement reached between a taxpayer and a township assessor. The bill also directs the IBTR to refer matters back to the DLGF or the BOA on remand from the Tax Court.

This bill corrects inconsistencies in P.L.198-2001 concerning appeal petitions and standards, property tax refunds, the Tax Court small claims docket, and the commissioner of the DLGF. It adjusts the standard for a quorum of the BOA. The bill directs the Attorney General to represent township trustee assessors in Tax Court proceedings but not to represent local assessing officials as plaintiffs.

The bill provides that certain payments to level two assessor-appraisers are not part of the assessors' annual compensation. This bill also repeals the county agricultural land advisory committee, the Tax Commissioners' Agricultural Advisory Council, the county land valuation commission, and the State Board of Tax Commissioners' Division of Tax Review.

Effective Date: Upon passage; July 1, 2001 (retroactive); January 1, 2002 (retroactive); July 1, 2002.

Explanation of State Expenditures: *This bill contains several provisions that correct inconsistencies or provide clarifications and have no fiscal impact. This fiscal note focuses on the other provisions in this bill.*

State Agricultural Advisory Council: This bill abolishes the state Agricultural Advisory Council. The 11-member council currently assists the Department of Local Government Finance (State Tax Board) in determining the value of agricultural land. The Council meets as necessary, and members are eligible for per

diem payments and mileage reimbursements. There would be some administrative cost savings to the state with the elimination of the Council.

Explanation of State Revenues:

Sales Disclosure Penalty: This bill potentially increases revenue to the Common School Fund, but could reduce revenue that is deposited in the state General Fund. This is because fines from misdemeanors are deposited in the Common School Fund, while infraction judgements are deposited in the state General Fund. Currently, the maximum judgment for a Class A infraction is \$10,000, which is deposited into the state General Fund, while the maximum fine for a Class A misdemeanor is \$5,000, which is deposited into the Common School Fund. Besides the issuance of fines, the sentencing court may assess a court fee if a guilty verdict is entered. The court fee for an infraction is \$70, while the court fee for a misdemeanor is \$120. The state receives 70% of the court fee that is assessed when a guilty verdict is entered and the fee is collected in a court of record and 55% if a case is filed in a city or town court.

Explanation of Local Expenditures:

County Agricultural Committees and County Land Valuation Commissions: This bill abolishes county agricultural land advisory committees and county land valuation commissions. Each county agricultural committee is comprised of five members. The valuation indicators determined by this committee are submitted to the state Agricultural Advisory Council for use in determining the value of agricultural land. County land valuation commissions were put into place by HEA 1499 (2001) and will each consist of nine members. Under current law, after 2002, these commissions will determine the value of all land in the counties using Department of Local Government Finance guidelines. Counties are permitted to pay a per diem to county and township assessors for their service to the county land valuation commissions. There would be some administrative cost savings to each county with the elimination of these entities.

Data Requirements: Under current law, the township assessors in Marion County and the county assessors in all other counties must maintain an electronic data file of real property parcel characteristics for each parcel of property. This information is transmitted to the Legislative Services Agency (LSA) and the Department of Local Government Finance (DLGF). Under this proposal, the local assessors would also be required to maintain certain data from each personal property tax return in an electronic file for transfer to the state. The specific form of the data would be prescribed by the LSA and the DLGF. Some counties may already be able to provide this data in the required format. There could be additional costs for some counties for programming and data entry.

This proposal would also require county auditors to maintain an electronic data file of tax duplicate data for real property parcels and personal property returns. This information is also to be transmitted to the LSA and the DLGF. Most county auditors already maintain this data and have the ability to transfer it to the state. This provision should not have any fiscal impact.

Sales Disclosure Penalty: Local expenditures could increase if offenders are incarcerated in local jails instead of being only fined. A Class A misdemeanor is punishable by up to one year in jail. The average daily cost of housing an offender in jail is reported to be \$44. There is no term of imprisonment for an infraction.

Explanation of Local Revenues:

Sales Disclosure: Currently, a sales disclosure form must be filed with the county auditor any time real

property is sold or transferred for valuable consideration, except a transfer to charity. Filers pay a \$5 fee, of which \$4 is deposited into the county Sales Disclosure Fund and \$1 is deposited into the state Assessment Training Fund. Under this proposal, a party who fails to file the required form would be subject to a penalty equal to the greater of \$25 or .025% of the sale price. 80% of any revenue derived from the penalty would be deposited into the county Sales Disclosure Fund, and 20% would be deposited into the state Assessment Training Fund.

Sales Disclosure Penalty: The bill would also change the penalty for filing a false or incomplete sales disclosure form from a class A infraction to a class A misdemeanor. Local governments could receive additional revenues from any court fees that are collected for cases that were infractions and are now misdemeanors. 27% of court fees that are collected are deposited in the county general fund when a guilty verdict is entered for a misdemeanor. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. From city and town courts, the county general fund receives 20% of the court fee while the city or town general fund receives 25%.

Tax Exemption Filing: Under current law, taxpayers who own property that is exempt from property tax must file an exemption application with the county auditor. Under this proposal, taxpayers would file exemption applications and all related documents with the county assessor. Under this provision, the county assessor would be better informed as to the exempt status of property. The \$2 filing fee would continue to be deposited into the county general fund.

State Agencies Affected: Department of Correction; Department of Local Government Finance (State Tax Board); State Agricultural Advisory Council; Indiana Tax Court; Indiana Board of Tax Review; Office of the Attorney General.

Local Agencies Affected: Trial courts; local law enforcement agencies; County agricultural land advisory committees; County land valuation commissions; Local assessing officials.

Information Sources: Indiana Sheriffs Association.