

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6685

BILL NUMBER: HB 1055

NOTE PREPARED: Dec 11, 2003

BILL AMENDED:

SUBJECT: Neighborhood Assessment Factor.

FIRST AUTHOR: Rep. Mays

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill directs the Department of Local Government Finance (DLGF) to amend its Real Property Assessment Guidelines to prevent the delineation of neighborhoods using different standards and to prevent assessment disparities between adjoining comparable residential real properties in adjoining neighborhoods.

Effective Date: Upon passage.

Explanation of State Expenditures: The DLGF must amend its Real Property Assessment Guidelines to change the manner in which a neighborhood is defined and delineated for purposes of the assessment of residential real property, including the application of a neighborhood factor for the assessment of residential real property improvements. Except for the above rule change, the bill provides that the DLGF may not adopt rules for the appraisal of real property in a general reassessment after July 1 of the year before the year in which the general reassessment is scheduled to begin. If rules for the appraisal of real property in a general reassessment are timely adopted and are then disapproved by the Attorney General, the DLGF may modify the rules to cure the defect that resulted in disapproval by the Attorney General and may then take actions necessary to obtain approval of the rules.

The DLGF will experience additional administrative expenses associated with rule-making, providing training on the rule change, and additional printing and postage costs needed to mail the rule changes to local units. However, the Department should be able to absorb these additional expenses given its current budget and resources.

Explanation of State Revenues: A change in assessment standards could result in a change in assessed

valuation. The state levies a small tax rate for State Fair and State Forestry. Any change in the assessed value base will change the property tax revenue generated for these two funds. The revenue change resulting from the proposal is indeterminable.

Explanation of Local Expenditures: Assessing officials must use the modified neighborhood standards for determining assessments after December 31, 2004. This provision could have a minor impact on local expenditures to the extent that local officials might have to attend training pertaining to the rule change.

Explanation of Local Revenues: If the overall impact of the new assessment practices changes the total assessed value, the rate will be affected accordingly with the levy remaining unchanged. The revenue for cumulative funds would be changed by the product of the fund rate multiplied by the change in the assessed valuation amount applicable to that fund.

State Agencies Affected: Department of Local Government Finance and the Office of the Attorney General.

Local Agencies Affected: Counties and Townships.

Information Sources: Diana Boylls, External Affairs Representative, Communications and Public Affairs, DLGF.

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