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FISCAL IMPACT STATEMENT

LS 6929

BILL NUMBER: SB 239

NOTE PREPARED: Jan 3, 2010

BILL AMENDED:

SUBJECT: Property Tax Matters.

FIRST AUTHOR: Sen. Hershman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Cyclical Reassessment:* This bill deletes the statute requiring a general reassessment to begin in 2010. It requires the county assessor of each county to prepare and submit to the Department of Local Government Finance (DLGF) a reassessment plan for the county. The bill specifies that the reassessment plan is subject to approval by the DLGF. The bill also provides that the reassessment plan must divide all parcels of real property in the county into different groups of parcels, and it requires that each group of parcels must contain at least 20% of the parcels within each class of real property in the county. It also provides that the reassessment of the first group of parcels under a county's reassessment plan must begin on July 1, 2011, and must be completed on or before March 1, 2012.

Reassessment Petitions: This bill provides that a petition for reassessment of a group of parcels must be signed by not less than 100 real property owners of parcels in the group or 5% of real property owners of parcels in the group and must be filed with the DLGF not later than 45 days after notice of assessment is provided.

Land Values: The bill provides that the county assessor determines the values of all classes of land in the county. It provides that a petition for the review of the land values determined by the county assessor may be filed with the DLGF.

Homestead Property Defined: This bill provides that for purposes of the standard deduction and other property tax laws, the term "homestead" includes a deck or patio; a gazebo; or another residential yard structure (other than a swimming pool); that is assessed as real property and that is attached to the dwelling.

Nursing Home Exemptions: The bill provides that property used for a nursing home may not be totally or

partially exempted from property taxes under the charitable exemption statute if the nursing home is owned, operated, or used with the predominant intent of generating a financial gain.

Referenda: This bill provides that if a controlled project of a political subdivision is subject to a referendum vote, the county election board must submit the referendum language to the DLGF for review and approval. It requires the DLGF to review the referendum language to ensure that the description of the controlled project is accurate and is not biased against either a vote in favor of the controlled project or a vote against the controlled project.

IBTR: The bill provides that upon request by a county assessor, an employee of the Indiana Board of Tax Review (IBTR) may assist taxpayers and local officials in their attempts to voluntarily resolve disputes in which: (1) a taxpayer has filed written notice to obtain a review by the county property tax assessment board of appeals (PTABOA) of an action by a township or county official; and (2) the county PTABOA has not given written notice of its decision on the issues under review.

City Budgets: The bill also amends a city budget statute to conform to deadlines changed in 2009.

Provisional Tax Bills: The bill provides that in the case of property taxes billed under a provisional tax statement: (1) the first installment is due on the later of May 10 of the year following the year of the assessment date or 30 days after the mailing of the provisional tax statement; and (2) the second installment is due on the later of November 10 of the year following the year of the assessment date or a date determined by the county treasurer that is not later than December 31 of the year following the year of the assessment date.

Effective Date: Upon passage; July 1, 2010; January 1, 2011.

Explanation of State Expenditures: *Referenda:* Under current law, controlled projects may be subject to local referendum. If a project is placed on the ballot, the county election board must approve the form of the public question. Under this provision, after the county election board approves the question, the board would forward it to the DLGF for review and approval. The DLGF would be able to perform this review with current resources.

IBTR: Under this provision, a county assessor may request that an employee of the IBTR assist in voluntary dispute resolution in a case where the PTABOA has not given notice of a decision on a taxpayer appeal. The IBTR would adopt rules to establish procedures under which assistance would be given. Any fiscal impact would depend on the extent to which the IBTR grants requests for assistance. The IBTR is funded from the General Fund and the Assessment Training Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *Cyclical Reassessment:* Under a cyclical reassessment schedule, expenditures for reassessment in a county would be spread from a two-year period to a period of up to five years.

Land Values: Currently, the township assessor, or county assessor if there is no township assessor, must set the initial land values and then submit them to the county PTABOA for review. Under the bill, the county assessor would determine all land values. The PTABOA would no longer have a review function, eliminating the cost of the public hearings that they currently must hold. The PTABOA would, however, determine land

values in a county if the county assessor fails to do so. If both the county assessor and the PTABOA fail to determine land values, the DLGF would determine the values.

The bill would allow a group of taxpayers to petition the DLGF for a review of the county assessor's land values. The petition could be filed up to 45 days after the values are determined and must be signed by the lesser of (1) 100 real property owners or (2) 5% of the real property owners in the county. The DLGF would be required to review the land values upon petition.

Homestead Property Defined: The additional homestead property defined under this provision would qualify for any locally funded homestead or residential credits available. The LOIT credits that are available as direct taxpayer credits and the CEDIT homestead and residential credits for mitigation of inventory shifts are generated by a specified income tax rate. The available credits would be redistributed at a lower credit rate to include the new homestead property. The traditional COIT homestead credits are paid as a specific credit rate. The additional homestead property would cause an increased cost for these credits, which would reduce the amount of certified shares available for distribution to civil taxing units.

Explanation of Local Revenues: *Cyclical Reassessment:* Under current law, real property is fully reassessed every five years. The next general reassessment takes effect with taxes payable in 2013. Annual adjustments to real property values are applied each year in which a general reassessment does not take effect.

Under this bill, counties would submit a reassessment plan to the DLGF by December 31, 2010. The plan must divide the parcels in the county into five groups that each contain approximately 20% of the parcels in each property class. Beginning with the March 1, 2012, assessment date, each county would reassess one group each year rather than conduct a general reassessment once every five years. However, a county could submit a plan to reassess more than 20% (up to 100%) of the parcels in any one year. Parcels that are not reassessed in a year would still be subject to annual adjustments.

Assuming that all property is currently assessed in accordance with the assessment and trending rules, general reassessments under current law should result in only modest one-year changes to most assessments. The general reassessment also picks up physical changes in property not previously noted. The change to cyclical reassessments would have the same overall effect. Since annual adjustments would continue for non-reassessed property, there should be no discernable change in overall assessment levels.

Homestead Property Defined: The DLGF's interpretation of a homestead is defined as a principal residence consisting of a dwelling and up to one acre of land. Some improvements located on the home site are not considered homestead property. These improvements include, but may not be limited to, decks, patios, gazebos, and swimming pools. Since these improvements do not qualify as homestead property, they are not subject to the standard or supplemental standard deductions, they do not qualify for homestead credits, and the circuit breaker cap for that part of the property is 3% instead of 1%.

Under this provision, beginning with taxes payable in 2011, decks, patios, gazebos, and other residential yard structures, but not swimming pools, would be considered part of the homestead qualifying property. The standard and supplemental deductions would apply as would any local homestead credits and the 1% circuit breaker cap.

Due to data constraints, the value of swimming pools cannot be segregated from the improvements that would qualify as homestead property under this provision. The following estimated impact includes swimming pools. The actual impact of this provision, not including swimming pools, would be less than this

estimate.

Illustration including swimming pools: Beginning with taxes payable in 2011, the additional standard and supplemental standard deductions are estimated at \$1.2 B. The total reduction in net taxes for homeowners, including tax shifts and circuit breakers, is estimated at \$20.0 M. The reduction in net AV would result in a higher tax rate and a net tax shift (after circuit breakers) of about \$10.9 M from homeowners to other taxpayers. The cost of the circuit breaker cap to local taxing units and school corporations would rise by an estimated \$9.0 M. The higher tax rates would also cause TIF proceeds to increase by about \$1.1 M.

Nursing Home Exemptions: Current law allows a property tax exemption for property that is owned, occupied, and used for an educational, literary, scientific, religious, or charitable purpose. This provision clarifies that nursing homes that are owned, operated, or used with the predominant intent of generating a financial gain would be ineligible for an exemption.

Provisional Tax Bills: Under current law, a county may elect to send out provisional tax statements to its taxpayers if the county abstract is not completed by March 15th of the tax payment year. The abstract is prepared when tax rates are certified and tax bills are figured. The first installment is due on May 10th unless the notice of reassessment or trended assessment is sent after March 26th, in which case the payment is due 45 days after the tax billing statement is mailed. The second installment is due on November 10th unless the May due date was delayed, in which case the November due date may be moved to any date through December 31st.

Under this proposal, the first provisional installment would be due on the later of May 10th or 30 days after the bill is mailed. The second installment would be due between November 10th and December 31st, inclusive, at the county treasurer's discretion.

State Agencies Affected: DLGF.

Local Agencies Affected: County assessors; Township assessors; Property tax boards of appeals; civil taxing units and school corporations.

Information Sources: LSA parcel-level assessment and tax database.

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