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FISCAL IMPACT STATEMENT

LS 6788

BILL NUMBER: HB 1198

NOTE PREPARED: Dec 28, 2012

BILL AMENDED:

SUBJECT: Soil Productivity Factors.

FIRST AUTHOR: Rep. Lehe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill specifies that the soil productivity factors used for the March 1, 2011, assessment of agricultural land must continue to be used for subsequent assessment dates.

The bill also requires the Department of Local Government Finance (DLGF) to submit the following in 2013 to the Commission on State Tax and Financing Policy and to any interim study committee established to study agriculture issues or assigned the topic of studying agriculture issues:

- (1) Proposed soil productivity factors to be used in the assessment of agricultural land.
- (2) An explanation of the methodology used to determine the proposed soil productivity factors.
- (3) Data, from each county, that was used to determine the proposed soil productivity factors.
- (4) Testimony and comments provided to the DLGF by taxpayers and other stakeholders concerning the proposed soil productivity factors.

Effective Date: Upon passage; January 1, 2013 (retroactive).

Explanation of State Expenditures: The DLGF should be able to provide the information required under this proposal with existing resources.

This bill would prohibit the DLGF from changing the soil productivity factors by rule unless authorized by the General Assembly. Currently, the DLGF must give written notice to each county assessor of the appropriate soil productivity factor for each type or classification of soil, as those soil productivity factors relate to the USDA's soil survey map.

This bill also would require the School of Agriculture of Purdue University to approve the soil productivity factors.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* Under this bill, the current soil productivity factors would remain in place indefinitely and the new soil productivity factors would not be used. The tax shift from all property types to farmland that is caused by use of the new factors would be eliminated as would the reduction in circuit breaker losses and the reduction in TIF proceeds that would otherwise occur.

Background: Each farmland assessment begins with the base rate per acre, which is \$1,630 for taxes payable in 2013. The base rate is then adjusted by the soil productivity factor and influence factors to calculate the assessed value for a particular parcel. Each parcel may have multiple soil types. In February 2012, the DLGF released new soil productivity factors for use in farmland assessments beginning with the 2012 Pay 2013 tax year. Under SEA 19-2012, the implementation of the new factors was delayed from 2013 taxes until taxes payable in 2014.

According to available land data from 69 counties, the Pay 2012 soil productivity factors range from 0.5 to 1.28 with an acreage-weighted average of 0.958. The new factors will range from 0.5 to 1.66 with a weighted average of 1.203, or a 25.5% increase in the average. The assessed value of farmland will increase by a similar percentage. The change in assessed valuation is estimated to result in an 18.5% increase in the net property tax on farmland. The total increase in farmland net tax in all 92 counties is estimated at \$57 M.

As a result of the increase in assessed valuation, tax rates will be reduced. The lower tax rates will cause a reduction in net tax bills for all other property types and a reduction in circuit breaker losses for civil taxing units and school corporations. In addition, the lower tax rates will cause a small reduction in TIF proceeds.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; Civil taxing units and school corporations.

Information Sources: LSA parcel-level property tax database.

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