

Property Tax Payments, 2002-2003

- Elkhart County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

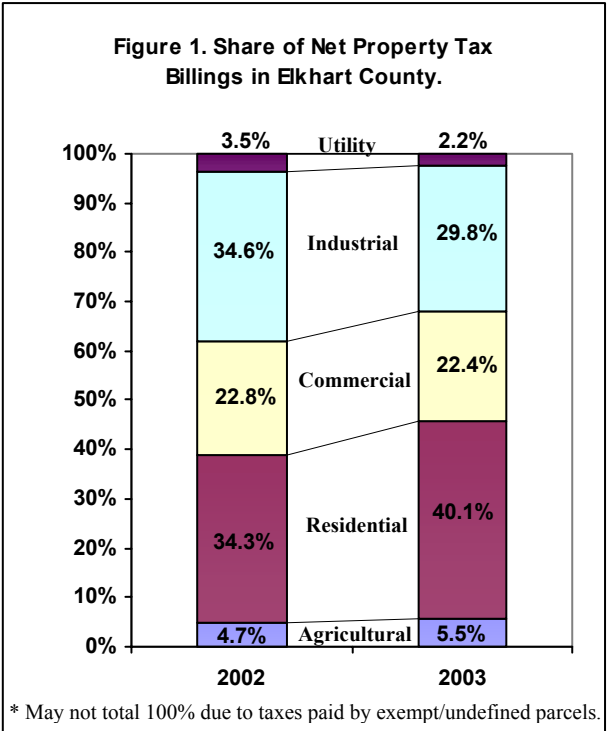
State Tax Credits Increased in Elkhart County from \$35.2 Million in 2002 to \$58.1 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Elkhart County, state tax credits

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	85.4%	71.4%	14.2%
Residential (All)	93.3%	63.1%	14.4%
Homestead Only	90.3%	50.4%	4.0%
Commercial	32.2%	31.8%	-3.9%
Industrial	12.5%	12.9%	-15.6%
Utility	-19.0%	-19.0%	-38.1%
Avg. All Classes	52.0%	38.2%	-2.0%

increased from \$35.2 million to \$58.1 million, an increase of \$22.9 million. This paper provides a brief summary of how these factors changed property tax liabilities in Elkhart County.

Tax Shifts. Elkhart County saw a property tax shift from businesses to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of agricultural and residential property nearly doubled. Commercial and industrial assessments rose much less, and utility assessments actually declined. These figures include the



effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Elkhart County saw their tax bills increase by a smaller amount than the average residential property increase. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner’s primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Elkhart County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, slightly fewer homestead owners saw increases than decreases.

	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	66.5%	49.1%	57.5%	36.9%
Decreased	33.5%	50.9%	42.5%	63.1%
Increased 100% or More	18.9%	4.7%	16.0%	3.7%
Decreased 25% or More	9.5 %	12.9%	16.4%	24.1%
Average Change (\$)	\$113	-\$2	\$29	-\$102
Average Change (%)	13.7%	-0.2%	3.5%	-9.3%

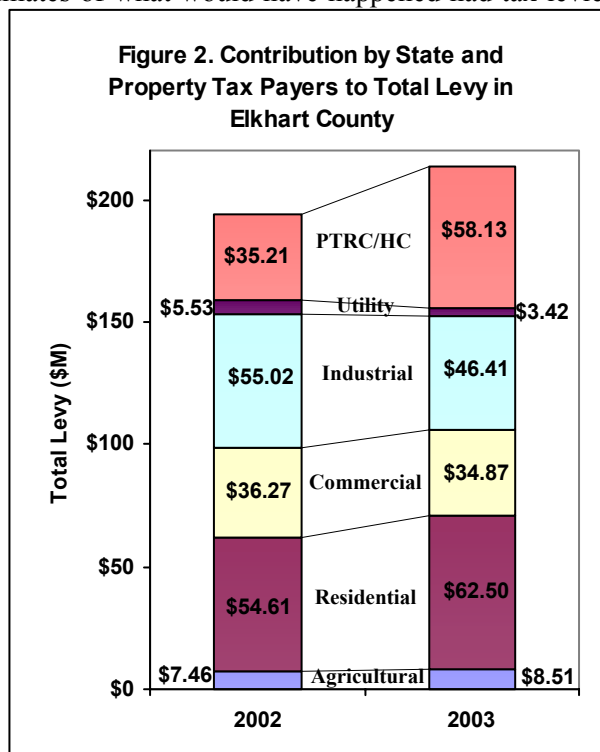
* Percentages represent the percentage of parcels affected.

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about 58% of all residential property owners would have seen tax increases, and 42% would have seen tax decreases. For homesteads, about one-third would have seen increases and two-thirds would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Elkhart County rose. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Elkhart



County because assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Elkhart County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Elkhart County by PTRC and state homestead credit payments increased by approximately 65%, from \$35.2 million to \$58.1 million.

Table 3 shows estimates of how Elkhart County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Elkhart County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	33.1%	14.2%	-19.0%
Residential (All)	52.8%	14.4%	-38.3%
Homestead Only	56.2%	4.0%	-52.2%
Commercial	-0.7%	-3.9%	-3.2%
Industrial	-12.0%	-15.6%	-3.6%
Utility	-45.3%	-38.1%	7.1%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Elkhart County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	4,836,877,040	346,806,274	2,714,281,327	2,157,455,146	753,798,728	1,007,996,320	13,994,390
Real Deductions	339,980,150	16,883,540	298,674,692	298,674,692	14,099,703	10,317,990	4,225
Real Net Assessed Value	4,496,896,890	329,922,734	2,415,606,635	1,858,780,454	739,699,025	997,678,330	13,990,165
Personal Gross Assd. Value	1,917,282,763	32,281,726	13,679,385	0	565,156,783	1,100,918,633	205,246,236
Personal Deductions	92,939,820	0	25,150	0	53,366,250	39,548,420	0
Personal Net Assd. Value	1,824,342,943	32,281,726	13,654,235	0	511,790,533	1,061,370,213	205,246,236
Total Gross Assessed Value	6,754,159,803	379,088,000	2,727,960,712	2,157,455,146	1,318,955,511	2,108,914,954	219,240,626
Total Deductions	432,919,970	16,883,540	298,699,842	298,674,692	67,465,953	49,866,410	4,225
Total Net Assessed Value	6,321,239,833	362,204,460	2,429,260,870	1,858,780,454	1,251,489,558	2,059,048,544	219,236,401
Gross Levy	194,341,136	9,022,852	70,358,759	53,320,974	43,275,678	65,162,716	6,521,130
PTRC (Calculated)	29,989,318	1,263,823	10,592,429	7,985,615	7,001,641	10,144,792	986,633
State/County Homestead Cr. (Calculated)	5,455,142	301,836	5,153,306	5,153,306	0	0	0
Net Levy	158,896,676	7,457,193	54,613,024	40,182,053	36,274,037	55,017,924	5,534,498
Pay 2003							
Real Gross Assessed Value	8,318,369,880	661,617,420	5,259,759,937	4,104,752,349	1,152,191,857	1,229,094,722	15,705,944
Real Deductions	1,417,527,403	82,054,333	1,308,794,293	1,308,794,293	19,469,181	7,205,842	3,754
Real Net Assessed Value	6,900,842,477	579,563,087	3,950,965,644	2,795,958,056	1,132,722,676	1,221,888,880	15,702,190
Personal Gross Assd. Value	1,948,899,300	41,257,616	12,347,940	0	591,100,593	1,142,392,233	161,800,918
Personal Deductions	113,806,260	0	14,740	0	74,129,780	39,661,740	0
Personal Net Assd. Value	1,835,093,040	41,257,616	12,333,200	0	516,970,813	1,102,730,493	161,800,918
Total Gross Assessed Value	10,267,269,180	702,875,036	5,272,107,877	4,104,752,349	1,743,292,450	2,371,486,955	177,506,862
Total Deductions	1,531,333,663	82,054,333	1,308,809,033	1,308,794,293	93,598,961	46,867,582	3,754
Total Net Assessed Value	8,735,935,517	620,820,703	3,963,298,844	2,795,958,056	1,649,693,489	2,324,619,373	177,503,108
Gross Levy	214,391,443	12,193,656	93,652,670	65,110,636	45,269,576	59,110,672	4,164,868
PTRC (Calculated)	53,031,448	3,400,115	25,786,699	17,960,601	10,401,856	12,702,367	740,413
State/County Homestead Cr. (Calculated)	5,647,072	279,743	5,367,329	5,367,329	0	0	0
Net Levy	155,712,922	8,513,798	62,498,643	41,782,707	34,867,721	46,408,305	3,424,455

COMPARISONS

Net Levy Percent Change	-2.0%	14.2%	14.4%	4.0%	-3.9%	-15.6%	-38.1%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	72.0%	90.8%	93.8%	90.3%	52.9%	21.9%	12.2%
Gross Personal AV	1.6%	27.8%	-9.7%	0.0%	4.6%	3.8%	-21.2%
Total Gross Assessed Value	52.0%	85.4%	93.3%	90.3%	32.2%	12.5%	-19.0%
Net Assessed Value	38.2%	71.4%	63.1%	50.4%	31.8%	12.9%	-19.0%
Gross Levy	10.3%	35.1%	33.1%	22.1%	4.6%	-9.3%	-36.1%
Net Levy	-2.0%	14.2%	14.4%	4.0%	-3.9%	-15.6%	-38.1%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	29,856,187	52,520,382	22,664,196	75.9%
State Homestead Cr. (Abstract)	5,355,515	5,612,299	256,784	4.8%
Total State Credits (Abstract)	35,211,702	58,132,681	22,920,979	65.1%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Elkhart County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net Tax	Net Tax			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	7,457,193	8,513,798	1,056,605	14.2%	4.7%	5.5%	0.8%
Residential	54,613,024	62,498,643	7,885,619	14.4%	34.3%	40.1%	5.8%
Commercial	36,274,037	34,867,721	-1,406,316	-3.9%	22.8%	22.4%	-0.4%
Industrial	55,017,924	46,408,305	-8,609,619	-15.6%	34.6%	29.8%	-4.8%
Utility	5,534,498	3,424,455	-2,110,043	-38.1%	3.5%	2.2%	-1.3%
Exempt	106,025	134,934	28,909	27.3%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	159,002,701	155,847,856	-3,154,845	-2.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	6,763,597	7,868,666	1,105,069	16.3%	4.3%	5.0%	0.8%
Residential	54,292,031	62,301,945	8,009,914	14.8%	34.1%	40.0%	5.8%
Commercial	21,763,905	22,946,344	1,182,439	5.4%	13.7%	14.7%	1.0%
Industrial	26,694,787	22,654,775	-4,040,012	-15.1%	16.8%	14.5%	-2.3%
Utility	402,343	301,110	-101,233	-25.2%	0.3%	0.2%	-0.1%
Exempt	106,025	134,934	28,909	27.3%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	110,022,688	116,207,774	6,185,086	5.6%	69.2%	74.6%	5.4%
Agricultural Homesteads	3,851,948	4,080,505	228,557	5.9%	2.4%	2.6%	0.2%
Residential Homesteads	40,182,053	41,782,707	1,600,654	4.0%	25.3%	26.8%	1.5%
Total Homesteads	44,034,001	45,863,212	1,829,211	4.2%	27.7%	29.4%	1.7%
Non-Homestead Residential	14,109,978	20,519,238	6,409,260	45.4%	8.9%	13.2%	4.3%
Apartments (Over 4 Units)	4,418,119	4,920,858	502,739	11.4%	2.8%	3.2%	0.4%
<u>Personal Property Only</u>							
Agricultural	693,596	645,132	-48,464	-7.0%	0.4%	0.4%	0.0%
Residential	320,993	196,698	-124,295	-38.7%	0.2%	0.1%	-0.1%
Commercial	14,510,132	11,921,377	-2,588,755	-17.8%	9.1%	7.6%	-1.5%
Industrial	28,323,137	23,753,530	-4,569,607	-16.1%	17.8%	15.2%	-2.6%
Utility	5,132,155	3,123,345	-2,008,810	-39.1%	3.2%	2.0%	-1.2%
Total	48,980,013	39,640,082	-9,339,931	-19.1%	30.8%	25.4%	-5.4%
Total Depreciables	25,971,675	20,312,839	-5,658,836	-21.8%	16.3%	13.0%	-3.3%
Total Inventory	22,687,345	19,130,546	-3,556,799	-15.7%	14.3%	12.3%	-2.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,911,649	3,788,161	876,512	30.1%	1.8%	2.4%	0.6%
Ag Personal	693,596	645,132	-48,464	-7.0%	0.4%	0.4%	0.0%
Total Ag Business	3,605,245	4,433,293	828,048	23.0%	2.3%	2.8%	0.6%
Ag Homesteads	3,851,948	4,080,505	228,557	5.9%	2.4%	2.6%	0.2%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Elkhart County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net AV	Net AV			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	362,204,460	620,820,703	258,616,243	71.4%	5.7%	7.1%	1.4%
Residential	2,429,260,870	3,963,298,844	1,534,037,974	63.1%	38.4%	45.3%	6.9%
Commercial	1,251,489,558	1,649,693,489	398,203,931	31.8%	19.8%	18.9%	-0.9%
Industrial	2,059,048,544	2,324,619,373	265,570,829	12.9%	32.6%	26.6%	-6.0%
Utility	219,236,401	177,503,108	-41,733,293	-19.0%	3.5%	2.0%	-1.4%
Exempt	3,546,660	7,960,970	4,414,310	124.5%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	6,324,786,493	8,743,896,487	2,419,109,994	38.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	329,922,734	579,563,087	249,640,353	75.7%	5.2%	6.6%	1.4%
Residential	2,415,606,635	3,950,965,644	1,535,359,009	63.6%	38.2%	45.2%	7.0%
Commercial	739,699,025	1,132,722,676	393,023,651	53.1%	11.7%	13.0%	1.3%
Industrial	997,678,330	1,221,888,880	224,210,550	22.5%	15.8%	14.0%	-1.8%
Utility	13,990,165	15,702,190	1,712,025	12.2%	0.2%	0.2%	0.0%
Exempt	3,546,660	7,960,970	4,414,310	124.5%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	4,500,443,549	6,908,803,447	2,408,359,898	53.5%	71.2%	79.0%	7.9%
Agricultural Homesteads	193,798,571	309,292,373	115,493,802	59.6%	3.1%	3.5%	0.5%
Residential Homesteads	1,858,780,454	2,795,958,056	937,177,602	50.4%	29.4%	32.0%	2.6%
Total Homesteads	2,052,579,025	3,105,250,429	1,052,671,404	51.3%	32.5%	35.5%	3.1%
Non-Homestead Residential	556,826,182	1,155,007,588	598,181,406	107.4%	8.8%	13.2%	4.4%
Apartments (Over 4 Units)	147,171,684	236,972,951	89,801,267	61.0%	2.3%	2.7%	0.4%
<u>Personal Property Only</u>							
Agricultural	32,281,726	41,257,616	8,975,890	27.8%	0.5%	0.5%	0.0%
Residential	13,654,235	12,333,200	-1,321,035	-9.7%	0.2%	0.1%	-0.1%
Commercial	511,790,533	516,970,813	5,180,280	1.0%	8.1%	5.9%	-2.2%
Industrial	1,061,370,213	1,102,730,493	41,360,280	3.9%	16.8%	12.6%	-4.2%
Utility	205,246,236	161,800,918	-43,445,318	-21.2%	3.2%	1.9%	-1.4%
Total	1,824,342,943	1,835,093,040	10,750,097	0.6%	28.8%	21.0%	-7.9%
Total Depreciables	963,087,860	939,410,731	-23,677,129	-2.5%	15.2%	10.7%	-4.5%
Total Inventory	847,600,848	883,349,109	35,748,261	4.2%	13.4%	10.1%	-3.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	136,124,162	270,270,714	134,146,552	98.5%	2.2%	3.1%	0.9%
Ag Personal	32,281,726	41,257,616	8,975,890	27.8%	0.5%	0.5%	0.0%
Total Ag Business	168,405,888	311,528,330	143,122,442	85.0%	2.7%	3.6%	0.9%
Ag Homesteads	193,798,571	309,292,373	115,493,802	59.6%	3.1%	3.5%	0.5%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Elkhart County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	108%	76%	23%	12%
Comparable Residential Real Prop.	93%	62%	14%	3%
Comparable Homesteads	87%	46%	0%	-9%

Distribution of Net Tax Changes on Comparable Residential Property

% Change	2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over 300%	1,813	3.0%	375	1.1%	1,440	2.4%	332	0.9%
200% to 300%	2,762	4.6%	276	0.8%	2,236	3.7%	218	0.6%
100% to 200%	6,776	11.3%	980	2.8%	5,975	9.9%	778	2.2%
50% to 100%	8,333	13.8%	2,579	7.3%	6,969	11.6%	1,687	4.8%
25% to 50%	7,507	12.5%	4,385	12.4%	6,176	10.3%	2,922	8.3%
10% to 25%	6,245	10.4%	4,573	12.9%	5,603	9.3%	3,511	9.9%
5% to 10%	2,486	4.1%	1,910	5.4%	2,249	3.7%	1,633	4.6%
0 to 5%	4,105	6.8%	2,281	6.4%	3,984	6.6%	1,963	5.6%
0 to -5%	2,917	4.8%	2,548	7.2%	2,800	4.6%	2,174	6.1%
-5% to -10%	2,821	4.7%	2,606	7.4%	2,948	4.9%	2,439	6.9%
-10% to -25%	8,728	14.5%	8,278	23.4%	9,953	16.5%	9,189	26.0%
-25% to -50%	4,890	8.1%	4,330	12.2%	8,755	14.5%	8,083	22.9%
Below -50%	838	1.4%	247	0.7%	1,133	1.9%	439	1.2%
	60,221	100.0%	35,368	100.0%	60,221	100.0%	35,368	100.0%
Parcels With Increases	40,027	66.5%	17,359	49.1%	34,632	57.5%	13,044	36.9%
Parcels With Reductions	20,194	33.5%	18,009	50.9%	25,589	42.5%	22,324	63.1%
Average \$ Change		\$113		-\$2		\$29		-\$102
Average % Change		13.7%		-0.2%		3.5%		-9.3%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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