

Property Tax Payments, 2002-2003

- Floyd County -

Indiana Legislative Services Agency

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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 Floyd County from \$11.9 Million in 2002 to \$18.5 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 Floyd County, state tax credits increased

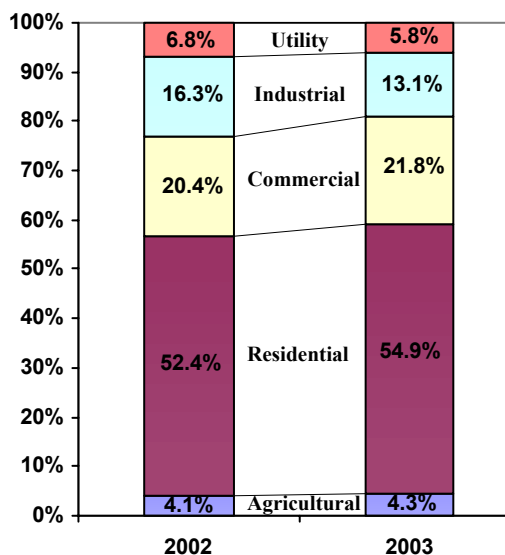
Table 1. Changes in AV and Tax Bills by Property Class for Floyd County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	78.6%	57.3%	6.1%
Residential (All)	85.2%	56.9%	7.0%
Homestead Only	85.8%	50.4%	1.8%
Commercial	56.2%	57.6%	9.4%
Industrial	14.4%	10.9%	-17.7%
Utility	14.0%	14.0%	-11.9%
Avg. All Classes	66.6%	48.3%	2.2%

from \$11.9 million to \$18.5 million, an increase of \$6.6 million. This paper provides a brief summary of how these factors changed property tax liabilities in Floyd County.

Tax Shifts. Floyd County saw a property tax shift from industrial and utility to agricultural, residential, and commercial property owners. Tax bills paid by residential, commercial, and agricultural property owners increased, while tax bills paid by 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, commercial, and agricultural property increased more than the assessed values of industry and utility property. These figures include the effects of new construction, demolition and remodeling of property, as

Figure 1. Share of Net Property Tax Billings in Floyd County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

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 homesteads in Floyd County saw their tax bills increase by a smaller amount than the average residential property increase, and agricultural homestead property taxes actually decreased slightly. 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 Floyd County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, substantially more homestead owners saw decreases rather than increases.

	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	57.8%	39.9%	42.1%	19.6%
Decreased	42.2%	60.1%	57.9%	80.4%
Increased 100% or More	4.9%	2.1%	3.9%	1.7%
Decreased 25% or More	8.6%	10.6%	15.8%	21.1%
Average Change (\$)	\$61	-\$25	-\$40	-\$146
Average Change (%)	6.3%	-2.0%	-4.1%	-11.7%

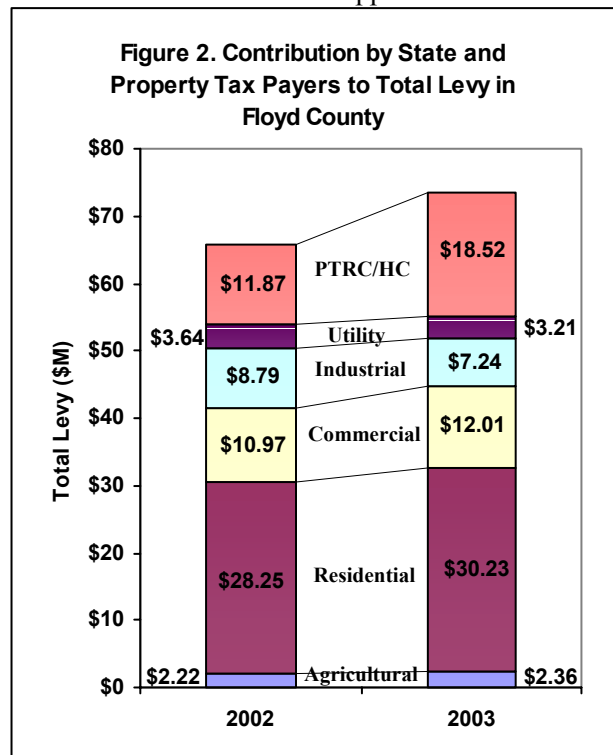
* Percentages represent the percentage of parcels affected.

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, less than half of all residential property owners would have seen tax increases, and more than half would have seen tax decreases. For homesteads, 80% 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 Floyd County rose slightly. Overall, agricultural business taxes rose while agricultural homestead taxes fell slightly. 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 small amount.

Business. Taxes on industrial and utility property fell in Floyd County because assessed values rose much less than residential, commercial, 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 industrial and utility assessments less. The general rise in assessed values in Floyd County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like industries and utilities.

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 Floyd County by PTRC and state homestead credit payments increased by approximately 56%, from \$11.9 million to \$18.5 million.

Table 3 shows estimates of how Floyd 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. Floyd 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 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	27.3%	6.1%	-21.2%
Residential (All)	36.5%	7.0%	-29.5%
Homestead Only	41.8%	1.8%	-40.0%
Commercial	5.9%	9.4%	3.6%
Industrial	-17.9%	-17.7%	0.2%
Utility	-26.1%	-11.9%	14.3%

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.

Floyd 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	1,760,050,098	107,284,958	1,260,938,485	1,038,418,072	283,531,831	94,825,491	13,415,513
Real Deductions	186,456,857	9,222,999	149,866,178	149,866,178	27,247,451	59,930	56,356
Real Net Assessed Value	1,573,593,241	98,061,959	1,111,072,307	888,551,894	256,284,380	94,765,561	13,359,157
Personal Gross Assd. Value	386,326,887	738,196	3,634,047	0	84,196,232	194,098,945	103,659,468
Personal Deductions	30,988,060	0	0	0	3,576,250	27,411,810	0
Personal Net Assd. Value	355,338,827	738,196	3,634,047	0	80,619,982	166,687,135	103,659,468
Total Gross Assessed Value	2,146,376,985	108,023,153	1,264,572,532	1,038,418,072	367,728,063	288,924,436	117,074,980
Total Deductions	217,444,917	9,222,999	149,866,178	149,866,178	30,823,701	27,471,740	56,356
Total Net Assessed Value	1,928,932,068	98,800,154	1,114,706,354	888,551,894	336,904,362	261,452,696	117,018,624
Gross Levy	65,976,966	2,743,595	35,830,247	28,315,569	12,843,205	10,310,373	4,247,616
PTRC (Calculated)	9,153,830	339,431	4,817,384	3,789,789	1,869,554	1,521,419	605,761
State/County Homestead Cr. (Calculated)	2,938,924	179,909	2,759,015	2,759,015	0	0	0
Net Levy	53,884,211	2,224,254	28,253,848	21,766,766	10,973,651	8,788,954	3,641,855
Pay 2003							
Real Gross Assessed Value	3,145,069,160	192,027,878	2,337,870,270	1,929,309,039	468,119,804	129,960,723	14,692,614
Real Deductions	679,921,996	37,444,033	593,152,703	593,152,703	39,824,637	8,804,065	121,392
Real Net Assessed Value	2,465,147,164	154,583,845	1,744,717,567	1,336,156,336	428,295,167	121,156,658	14,571,222
Personal Gross Assd. Value	430,455,069	848,990	3,838,070	0	106,344,558	200,647,020	118,776,431
Personal Deductions	35,778,338	0	810	0	3,806,238	31,971,290	0
Personal Net Assd. Value	394,676,731	848,990	3,837,260	0	102,538,320	168,675,730	118,776,431
Total Gross Assessed Value	3,575,524,229	192,876,868	2,341,708,340	1,929,309,039	574,464,362	330,607,744	133,469,045
Total Deductions	715,700,334	37,444,033	593,153,513	593,152,703	43,630,875	40,775,355	121,392
Total Net Assessed Value	2,859,823,895	155,432,835	1,748,554,827	1,336,156,336	530,833,487	289,832,389	133,347,653
Gross Levy	74,092,022	3,307,625	43,001,780	32,377,610	15,317,911	8,689,376	3,732,399
PTRC (Calculated)	16,515,083	819,820	10,400,059	7,849,502	3,307,960	1,454,268	522,511
State/County Homestead Cr. (Calculated)	2,502,604	127,646	2,374,958	2,374,958	0	0	0
Net Levy	55,074,335	2,360,160	30,226,763	22,153,151	12,009,951	7,235,109	3,209,888

COMPARISONS

Net Levy Percent Change	2.2%	6.1%	7.0%	1.8%	9.4%	-17.7%	-11.9%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	78.7%	79.0%	85.4%	85.8%	65.1%	37.1%	9.5%
Gross Personal AV	11.4%	15.0%	5.6%	0.0%	26.3%	3.4%	14.6%
Total Gross Assessed Value	66.6%	78.6%	85.2%	85.8%	56.2%	14.4%	14.0%
Net Assessed Value	48.3%	57.3%	56.9%	50.4%	57.6%	10.9%	14.0%
Gross Levy	12.3%	20.6%	20.0%	14.3%	19.3%	-15.7%	-12.1%
Net Levy	2.2%	6.1%	7.0%	1.8%	9.4%	-17.7%	-11.9%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	8,957,361	16,001,920	7,044,560	78.6%
State Homestead Cr. (Abstract)	2,909,686	2,515,126	-394,560	-13.6%
Total State Credits (Abstract)	11,867,047	18,517,046	6,649,999	56.0%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Floyd 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	2,224,254	2,360,160	135,906	6.1%	4.1%	4.3%	0.2%
Residential	28,253,848	30,226,763	1,972,915	7.0%	52.4%	54.9%	2.4%
Commercial	10,973,651	12,009,951	1,036,300	9.4%	20.4%	21.8%	1.4%
Industrial	8,788,954	7,235,109	-1,553,845	-17.7%	16.3%	13.1%	-3.2%
Utility	3,641,855	3,209,888	-431,967	-11.9%	6.8%	5.8%	-0.9%
Exempt	21,735	31,679	9,944	45.8%	0.0%	0.1%	0.0%
Undefined	1,648	32,464	30,816	1869.9%	0.0%	0.1%	0.1%
Total	53,905,945	55,106,014	1,200,069	2.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	2,206,401	2,345,264	138,863	6.3%	4.1%	4.3%	0.2%
Residential	28,155,065	30,157,196	2,002,131	7.1%	52.2%	54.7%	2.5%
Commercial	8,431,633	9,526,189	1,094,556	13.0%	15.6%	17.3%	1.6%
Industrial	3,171,063	2,763,434	-407,629	-12.9%	5.9%	5.0%	-0.9%
Utility	430,257	310,465	-119,792	-27.8%	0.8%	0.6%	-0.2%
Exempt	21,735	31,679	9,944	45.8%	0.0%	0.1%	0.0%
Undefined	1,648	32,464	30,816	1869.9%	0.0%	0.1%	0.1%
Total	42,417,802	45,166,691	2,748,889	6.5%	78.7%	82.0%	3.3%
Agricultural Homesteads	1,673,728	1,661,034	-12,694	-0.8%	3.1%	3.0%	-0.1%
Residential Homesteads	21,766,766	22,153,151	386,385	1.8%	40.4%	40.2%	-0.2%
Total Homesteads	23,440,494	23,814,185	373,691	1.6%	43.5%	43.2%	-0.3%
Non-Homestead Residential	6,388,299	8,004,045	1,615,746	25.3%	11.9%	14.5%	2.7%
Apartments (Over 4 Units)	2,208,734	3,040,254	831,520	37.6%	4.1%	5.5%	1.4%
<u>Personal Property Only</u>							
Agricultural	17,853	14,896	-2,957	-16.6%	0.0%	0.0%	0.0%
Residential	98,783	69,567	-29,216	-29.6%	0.2%	0.1%	-0.1%
Commercial	2,542,018	2,483,763	-58,255	-2.3%	4.7%	4.5%	-0.2%
Industrial	5,617,891	4,471,674	-1,146,217	-20.4%	10.4%	8.1%	-2.3%
Utility	3,211,598	2,899,424	-312,174	-9.7%	6.0%	5.3%	-0.7%
Total	11,488,143	9,939,324	-1,548,819	-13.5%	21.3%	18.0%	-3.3%
Total Depreciables	9,326,706	6,599,408	-2,727,298	-29.2%	17.3%	12.0%	-5.3%
Total Inventory	2,062,655	3,270,349	1,207,694	58.6%	3.8%	5.9%	2.1%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	532,673	684,230	151,557	28.5%	1.0%	1.2%	0.3%
Ag Personal	17,853	14,896	-2,957	-16.6%	0.0%	0.0%	0.0%
Total Ag Business	550,526	699,126	148,600	27.0%	1.0%	1.3%	0.2%
Ag Homesteads	1,673,728	1,661,034	-12,694	-0.8%	3.1%	3.0%	-0.1%

* "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**
Floyd 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	98,800,154	155,432,835	56,632,681	57.3%	5.1%	5.4%	0.3%
Residential	1,114,706,354	1,748,554,827	633,848,473	56.9%	57.8%	61.1%	3.3%
Commercial	336,904,362	530,833,487	193,929,125	57.6%	17.5%	18.6%	1.1%
Industrial	261,452,696	289,832,389	28,379,693	10.9%	13.5%	10.1%	-3.4%
Utility	117,018,624	133,347,653	16,329,029	14.0%	6.1%	4.7%	-1.4%
Exempt	762,630	1,596,940	834,310	109.4%	0.0%	0.1%	0.0%
Undefined	49,878	1,822,705	1,772,827	3554.3%	0.0%	0.1%	0.1%
Total	1,929,694,698	2,861,420,836	931,726,138	48.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	98,061,959	154,583,845	56,521,886	57.6%	5.1%	5.4%	0.3%
Residential	1,111,072,307	1,744,717,567	633,645,260	57.0%	57.6%	61.0%	3.4%
Commercial	256,284,380	428,295,167	172,010,787	67.1%	13.3%	15.0%	1.7%
Industrial	94,765,561	121,156,658	26,391,097	27.8%	4.9%	4.2%	-0.7%
Utility	13,359,157	14,571,222	1,212,065	9.1%	0.7%	0.5%	-0.2%
Exempt	762,630	1,596,940	834,310	109.4%	0.0%	0.1%	0.0%
Undefined	49,878	1,822,705	1,772,827	3554.3%	0.0%	0.1%	0.1%
Total	1,574,355,872	2,466,744,104	892,388,232	56.7%	81.6%	86.2%	4.6%
Agricultural Homesteads	76,160,722	111,775,329	35,614,607	46.8%	3.9%	3.9%	0.0%
Residential Homesteads	888,551,894	1,336,156,336	447,604,442	50.4%	46.0%	46.7%	0.6%
Total Homesteads	964,712,616	1,447,931,665	483,219,049	50.1%	50.0%	50.6%	0.6%
Non-Homestead Residential	222,520,413	408,561,230	186,040,817	83.6%	11.5%	14.3%	2.7%
Apartments (Over 4 Units)	65,107,888	133,979,867	68,871,979	105.8%	3.4%	4.7%	1.3%
<u>Personal Property Only</u>							
Agricultural	738,196	848,990	110,794	15.0%	0.0%	0.0%	0.0%
Residential	3,634,047	3,837,260	203,213	5.6%	0.2%	0.1%	-0.1%
Commercial	80,619,982	102,538,320	21,918,338	27.2%	4.2%	3.6%	-0.6%
Industrial	166,687,135	168,675,730	1,988,595	1.2%	8.6%	5.9%	-2.7%
Utility	103,659,468	118,776,431	15,116,963	14.6%	5.4%	4.2%	-1.2%
Total	355,338,828	394,676,731	39,337,903	11.1%	18.4%	13.8%	-4.6%
Total Depreciables	289,053,740	263,189,187	-25,864,553	-8.9%	15.0%	9.2%	-5.8%
Total Inventory	62,651,041	127,650,284	64,999,243	103.7%	3.2%	4.5%	1.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	21,901,237	42,808,516	20,907,279	95.5%	1.1%	1.5%	0.4%
Ag Personal	738,196	848,990	110,794	15.0%	0.0%	0.0%	0.0%
Total Ag Business	22,639,433	43,657,506	21,018,073	92.8%	1.2%	1.5%	0.4%
Ag Homesteads	76,160,722	111,775,329	35,614,607	46.8%	3.9%	3.9%	0.0%

* "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.

**Floyd 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	105%	74%	18%	6%
Comparable Residential Real Prop.	86%	55%	6%	-4%
Comparable Homesteads	84%	45%	-2%	-12%

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%	331	1.3%	78	0.5%	285	1.1%	65	0.4%
200% to 300%	175	0.7%	63	0.4%	149	0.6%	53	0.3%
100% to 200%	744	2.9%	199	1.2%	560	2.2%	163	1.0%
50% to 100%	1,753	6.8%	382	2.3%	1,087	4.2%	252	1.5%
25% to 50%	4,209	16.3%	819	5.0%	2,153	8.3%	484	3.0%
10% to 25%	3,043	11.8%	1,694	10.4%	3,566	13.8%	778	4.8%
5% to 10%	1,687	6.5%	1,359	8.3%	999	3.9%	537	3.3%
0 to 5%	2,978	11.5%	1,928	11.8%	2,077	8.0%	877	5.4%
0 to -5%	2,246	8.7%	2,097	12.8%	1,727	6.7%	1,325	8.1%
-5% to -10%	2,158	8.4%	2,021	12.4%	2,374	9.2%	2,065	12.6%
-10% to -25%	4,279	16.6%	3,986	24.4%	6,767	26.2%	6,298	38.5%
-25% to -50%	1,891	7.3%	1,530	9.4%	3,580	13.9%	3,105	19.0%
Below -50%	332	1.3%	191	1.2%	502	1.9%	345	2.1%
	25,826	100.0%	16,347	100.0%	25,826	100.0%	16,347	100.0%
Parcels With Increases	14,920	57.8%	6,522	39.9%	10,876	42.1%	3,209	19.6%
Parcels With Reductions	10,906	42.2%	9,825	60.1%	14,950	57.9%	13,138	80.4%
Average \$ Change		\$61		-\$25		-\$40		-\$146
Average % Change		6.3%		-2.0%		-4.1%		-11.7%

"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

Prepared by Legislative Services Agency, June 2005.