

Property Tax Payments, 2002-2003 - Hancock 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.

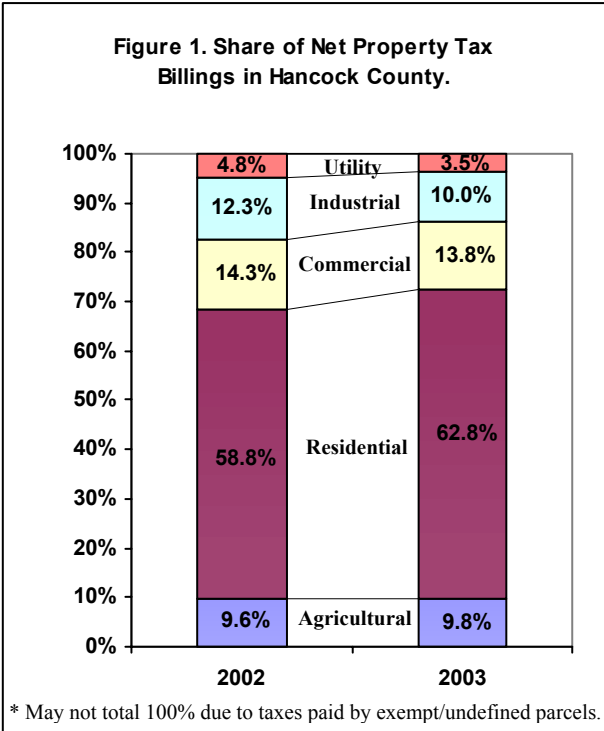
State Tax Credits Increased in Hancock County from \$9.2 Million in 2002 to \$17.4 Million in 2003.

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 Hancock County, state tax credits

Table 1. Changes in AV and Tax Bills by Property Class for Hancock County, 2002-2003.			
Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	96.4%	85.5%	5.4%
Residential (All)	115.2%	86.6%	11.4%
Homestead Only	115.9%	79.9%	6.8%
Commercial	60.4%	60.6%	0.3%
Industrial	36.2%	25.9%	-15.0%
Utility	15.5%	15.5%	-24.1%
Avg. All Classes	93.0%	73.0%	4.3%

increased from \$9.2 million to \$17.4 million, an increase of \$8.2 million. This paper provides a brief summary of how these factors changed property tax liabilities in Hancock County.

Tax Shifts. Hancock County saw a property tax shift from industrial and utility property owners to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by industrial and utility property owners decreased. Commercial taxes were almost unchanged. (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 at a greater rate than the assessed values of business property. Gross assessed values of agricultural and residential property doubled. Commercial property assessments increased by more



than half, and industrial and utility assessments rose much less. 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 Hancock 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 Hancock County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, about half of homestead owners saw tax increases, and half saw decreases.

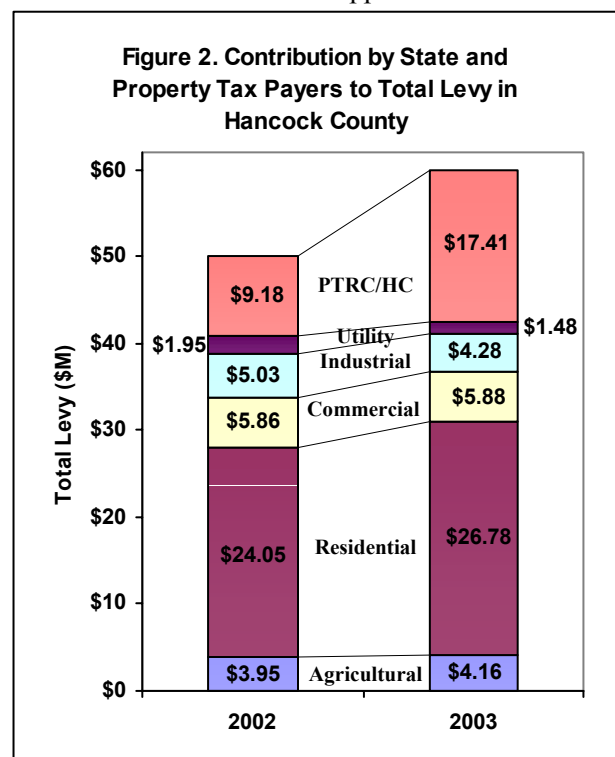
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	63.4%	49.8%	51.2%	32.2%
Decreased	36.6%	50.2%	48.8%	67.8%
Increased 100% or More	10.4%	2.5%	9.0%	1.9%
Decreased 25% or More	7.4%	6.9%	10.8%	12.1%
Average Change (\$)	\$70	-\$12	-\$15	-\$115
Average Change (%)	7.2%	-1.0%	-1.5%	-9.1%

* 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 half of all residential property owners would have seen tax increases, and half 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 Hancock County increased slightly. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property more than 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 by comparison.



Business. Taxes on industrial and utility property declined in Hancock 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 industrial and utility assessments less. The general rise in assessed values in Hancock 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 Hancock County by PTRC and state homestead credit payments increased by approximately 90%, from \$9.2 million to \$17.4 million.

Table 3 shows estimates of how Hancock 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. Hancock 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 elimination of PTRC for personal property was responsible for reducing the tax cuts received by industrial and utility property and increasing the tax bills for commercial 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	15.8%	5.4%	-10.4%
Residential (All)	42.2%	11.4%	-30.8%
Homestead Only	47.8%	6.8%	-41.0%
Commercial	0.1%	0.3%	0.2%
Industrial	-20.3%	-15.0%	5.2%
Utility	-33.1%	-24.1%	8.9%

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.

Hancock 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	1,489,639,236	163,228,838	1,128,609,620	928,389,468	139,704,775	54,869,202	3,178,689
Real Deductions	142,417,895	6,899,351	124,513,377	124,513,377	1,256,068	9,745,914	3,185
Real Net Assessed Value	1,347,221,341	156,329,487	1,004,096,243	803,876,091	138,448,707	45,123,288	3,175,504
Personal Gross Assd. Value	349,551,164	16,210,740	11,803,550	0	77,606,550	169,421,794	74,508,530
Personal Deductions	27,056,590	0	12,000	0	1,926,100	25,118,490	0
Personal Net Assd. Value	322,494,574	16,210,740	11,791,550	0	75,680,450	144,303,304	74,508,530
Total Gross Assessed Value	1,839,190,400	179,439,578	1,140,413,170	928,389,468	217,311,325	224,290,996	77,687,219
Total Deductions	169,474,485	6,899,351	124,525,377	124,513,377	3,182,168	34,864,404	3,185
Total Net Assessed Value	1,669,715,915	172,540,227	1,015,887,793	803,876,091	214,129,157	189,426,592	77,684,034
Gross Levy	50,262,178	4,667,946	30,531,948	24,073,277	6,892,968	5,925,777	2,242,163
PTRC (Calculated)	6,989,195	612,023	4,159,300	3,258,381	1,031,414	890,808	295,484
State/County Homestead Cr. (Calculated)	2,436,208	110,465	2,325,742	2,325,742	0	0	0
Net Levy	40,836,775	3,945,458	24,046,906	18,489,154	5,861,554	5,034,969	1,946,679
Pay 2003							
Real Gross Assessed Value	3,113,834,210	333,554,520	2,441,789,244	2,003,928,963	254,677,521	77,893,997	5,918,726
Real Deductions	607,137,461	32,351,694	557,857,747	557,857,747	2,658,549	14,266,506	2,965
Real Net Assessed Value	2,506,696,749	301,202,826	1,883,931,497	1,446,071,216	252,018,972	63,627,491	5,915,761
Personal Gross Assd. Value	436,414,830	18,830,020	12,151,460	0	93,938,735	227,688,365	83,806,250
Personal Deductions	54,936,070	0	0	0	2,022,970	52,913,100	0
Personal Net Assd. Value	381,478,760	18,830,020	12,151,460	0	91,915,765	174,775,265	83,806,250
Total Gross Assessed Value	3,550,249,040	352,384,540	2,453,940,704	2,003,928,963	348,616,256	305,582,363	89,724,976
Total Deductions	662,073,531	32,351,694	557,857,747	557,857,747	4,681,519	67,179,606	2,965
Total Net Assessed Value	2,888,175,509	320,032,846	1,896,082,957	1,446,071,216	343,934,737	238,402,757	89,722,011
Gross Levy	60,383,686	5,872,031	39,710,144	30,091,995	7,744,672	5,260,573	1,796,262
PTRC (Calculated)	15,359,803	1,612,281	10,581,427	7,993,263	1,864,736	982,219	319,140
State/County Homestead Cr. (Calculated)	2,448,897	100,975	2,347,922	2,347,922	0	0	0
Net Levy	42,574,986	4,158,776	26,780,795	19,750,809	5,879,937	4,278,354	1,477,122
COMPARISONS							
Net Levy Percent Change	4.3%	5.4%	11.4%	6.8%	0.3%	-15.0%	-24.1%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	109.0%	104.3%	116.4%	115.9%	82.3%	42.0%	86.2%
Gross Personal AV	24.9%	16.2%	2.9%	0.0%	21.0%	34.4%	12.5%
Total Gross Assessed Value	93.0%	96.4%	115.2%	115.9%	60.4%	36.2%	15.5%
Net Assessed Value	73.0%	85.5%	86.6%	79.9%	60.6%	25.9%	15.5%
Gross Levy	20.1%	25.8%	30.1%	25.0%	12.4%	-11.2%	-19.9%
Net Levy	4.3%	5.4%	11.4%	6.8%	0.3%	-15.0%	-24.1%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	6,768,805	15,022,647	8,253,842	121.9%			
State Homestead Cr. (Abstract)	2,411,057	2,388,112	-22,946	-1.0%			
Total State Credits (Abstract)	9,179,862	17,410,758	8,230,896	89.7%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Hancock 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	3,945,458	4,158,776	213,318	5.4%	9.6%	9.8%	0.1%
Residential	24,046,906	26,780,795	2,733,889	11.4%	58.8%	62.8%	4.0%
Commercial	5,861,554	5,879,937	18,383	0.3%	14.3%	13.8%	-0.5%
Industrial	5,034,969	4,278,354	-756,615	-15.0%	12.3%	10.0%	-2.3%
Utility	1,946,679	1,477,122	-469,557	-24.1%	4.8%	3.5%	-1.3%
Exempt	83,750	68,968	-14,782	-17.7%	0.2%	0.2%	0.0%
Undefined	1,210	3	-1,207	-99.8%	0.0%	0.0%	0.0%
Total	40,920,526	42,643,955	1,723,429	4.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,567,186	3,881,097	313,911	8.8%	8.7%	9.1%	0.4%
Residential	23,756,366	26,608,941	2,852,575	12.0%	58.1%	62.4%	4.3%
Commercial	3,840,912	4,199,490	358,578	9.3%	9.4%	9.8%	0.5%
Industrial	1,137,861	955,082	-182,779	-16.1%	2.8%	2.2%	-0.5%
Utility	83,509	89,304	5,795	6.9%	0.2%	0.2%	0.0%
Exempt	83,750	68,968	-14,782	-17.7%	0.2%	0.2%	0.0%
Undefined	1,210	3	-1,207	-99.8%	0.0%	0.0%	0.0%
Total	32,470,794	35,802,885	3,332,091	10.3%	79.4%	84.0%	4.6%
Agricultural Homesteads	1,423,222	1,441,931	18,709	1.3%	3.5%	3.4%	-0.1%
Residential Homesteads	18,489,154	19,750,809	1,261,655	6.8%	45.2%	46.3%	1.1%
Total Homesteads	19,912,376	21,192,740	1,280,364	6.4%	48.7%	49.7%	1.0%
Non-Homestead Residential	5,267,212	6,858,132	1,590,920	30.2%	12.9%	16.1%	3.2%
Apartments (Over 4 Units)	859,977	1,056,029	196,052	22.8%	2.1%	2.5%	0.4%
<u>Personal Property Only</u>							
Agricultural	378,272	277,679	-100,593	-26.6%	0.9%	0.7%	-0.3%
Residential	290,540	171,854	-118,686	-40.9%	0.7%	0.4%	-0.3%
Commercial	2,020,642	1,680,447	-340,195	-16.8%	4.9%	3.9%	-1.0%
Industrial	3,897,108	3,323,271	-573,837	-14.7%	9.5%	7.8%	-1.7%
Utility	1,863,170	1,387,818	-475,352	-25.5%	4.6%	3.3%	-1.3%
Total	8,449,732	6,841,069	-1,608,663	-19.0%	20.6%	16.0%	-4.6%
Total Depreciables	5,742,874	4,991,630	-751,244	-13.1%	14.0%	11.7%	-2.3%
Total Inventory	2,416,317	1,677,585	-738,732	-30.6%	5.9%	3.9%	-2.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,143,964	2,439,166	295,202	13.8%	5.2%	5.7%	0.5%
Ag Personal	378,272	277,679	-100,593	-26.6%	0.9%	0.7%	-0.3%
Total Ag Business	2,522,236	2,716,845	194,609	7.7%	6.2%	6.4%	0.2%
Ag Homesteads	1,423,222	1,441,931	18,709	1.3%	3.5%	3.4%	-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**
Hancock 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	172,540,227	320,032,846	147,492,619	85.5%	10.3%	11.1%	0.7%
Residential	1,015,887,793	1,896,082,957	880,195,164	86.6%	60.7%	65.5%	4.8%
Commercial	214,129,157	343,934,737	129,805,580	60.6%	12.8%	11.9%	-0.9%
Industrial	189,426,592	238,402,757	48,976,165	25.9%	11.3%	8.2%	-3.1%
Utility	77,684,034	89,722,011	12,037,977	15.5%	4.6%	3.1%	-1.5%
Exempt	3,316,830	4,679,110	1,362,280	41.1%	0.2%	0.2%	0.0%
Undefined	48,111	201	-47,910	-99.6%	0.0%	0.0%	0.0%
Total	1,673,032,744	2,892,854,619	1,219,821,875	72.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	156,329,487	301,202,826	144,873,339	92.7%	9.3%	10.4%	1.1%
Residential	1,004,096,243	1,883,931,497	879,835,254	87.6%	60.0%	65.1%	5.1%
Commercial	138,448,707	252,018,972	113,570,265	82.0%	8.3%	8.7%	0.4%
Industrial	45,123,288	63,627,491	18,504,203	41.0%	2.7%	2.2%	-0.5%
Utility	3,175,504	5,915,761	2,740,257	86.3%	0.2%	0.2%	0.0%
Exempt	3,316,830	4,679,110	1,362,280	41.1%	0.2%	0.2%	0.0%
Undefined	48,111	201	-47,910	-99.6%	0.0%	0.0%	0.0%
Total	1,350,538,170	2,511,375,858	1,160,837,688	86.0%	80.7%	86.8%	6.1%
Agricultural Homesteads	64,672,291	115,246,901	50,574,610	78.2%	3.9%	4.0%	0.1%
Residential Homesteads	803,876,091	1,446,071,216	642,195,125	79.9%	48.0%	50.0%	1.9%
Total Homesteads	868,548,382	1,561,318,117	692,769,735	79.8%	51.9%	54.0%	2.1%
Non-Homestead Residential	200,220,152	437,860,281	237,640,129	118.7%	12.0%	15.1%	3.2%
Apartments (Over 4 Units)	30,551,499	62,199,140	31,647,641	103.6%	1.8%	2.2%	0.3%
<u>Personal Property Only</u>							
Agricultural	16,210,740	18,830,020	2,619,280	16.2%	1.0%	0.7%	-0.3%
Residential	11,791,550	12,151,460	359,910	3.1%	0.7%	0.4%	-0.3%
Commercial	75,680,450	91,915,765	16,235,315	21.5%	4.5%	3.2%	-1.3%
Industrial	144,303,304	174,775,265	30,471,961	21.1%	8.6%	6.0%	-2.6%
Utility	74,508,530	83,806,250	9,297,720	12.5%	4.5%	2.9%	-1.6%
Total	322,494,574	381,478,760	58,984,186	18.3%	19.3%	13.2%	-6.1%
Total Depreciables	221,598,856	279,947,590	58,348,734	26.3%	13.2%	9.7%	-3.6%
Total Inventory	89,104,168	89,379,710	275,542	0.3%	5.3%	3.1%	-2.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	91,657,196	185,955,926	94,298,730	102.9%	5.5%	6.4%	0.9%
Ag Personal	16,210,740	18,830,020	2,619,280	16.2%	1.0%	0.7%	-0.3%
Total Ag Business	107,867,936	204,785,946	96,918,010	89.8%	6.4%	7.1%	0.6%
Ag Homesteads	64,672,291	115,246,901	50,574,610	78.2%	3.9%	4.0%	0.1%

* "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.

**Hancock 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	136%	105%	23%	13%
Comparable Residential Real Prop.	109%	80%	7%	-2%
Comparable Homesteads	105%	69%	-1%	-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%	724	3.3%	53	0.4%	667	3.1%	48	0.3%
200% to 300%	446	2.1%	52	0.4%	343	1.6%	41	0.3%
100% to 200%	1,081	5.0%	234	1.7%	924	4.3%	182	1.3%
50% to 100%	1,780	8.2%	558	4.0%	1,466	6.7%	377	2.7%
25% to 50%	2,182	10.0%	1,263	9.2%	1,636	7.5%	726	5.3%
10% to 25%	2,666	12.3%	2,033	14.8%	1,928	8.9%	1,273	9.2%
5% to 10%	1,310	6.0%	1,147	8.3%	992	4.6%	763	5.5%
0 to 5%	3,575	16.5%	1,519	11.0%	3,159	14.5%	1,022	7.4%
0 to -5%	1,756	8.1%	1,633	11.9%	1,549	7.1%	1,387	10.1%
-5% to -10%	1,618	7.4%	1,502	10.9%	1,974	9.1%	1,822	13.2%
-10% to -25%	2,983	13.7%	2,839	20.6%	4,730	21.8%	4,468	32.4%
-25% to -50%	1,372	6.3%	866	6.3%	2,051	9.4%	1,554	11.3%
Below -50%	231	1.1%	79	0.6%	305	1.4%	115	0.8%
	21,724	100.0%	13,778	100.0%	21,724	100.0%	13,778	100.0%
Parcels With Increases	13,764	63.4%	6,859	49.8%	11,115	51.2%	4,432	32.2%
Parcels With Reductions	7,960	36.6%	6,919	50.2%	10,609	48.8%	9,346	67.8%
Average \$ Change		\$70		-\$12		-\$15		-\$115
Average % Change		7.2%		-1.0%		-1.5%		-9.1%

"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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