

Property Tax Payments, 2002-2003

- Kosciusko 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.

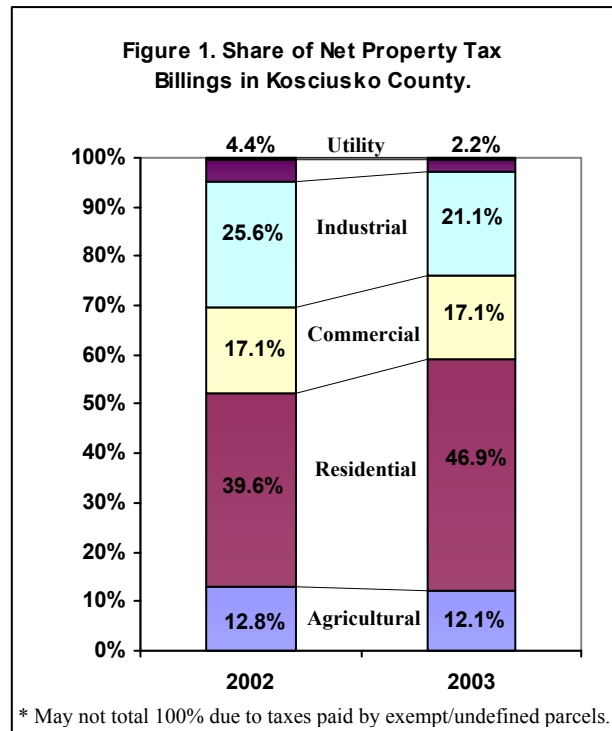
State Tax Credits Increased in Kosciusko County from \$11.2 Million in 2002 to \$22.4 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	81.6%	68.7%	-13.7%
Residential (All)	155.3%	136.6%	7.8%
Homestead Only	123.8%	86.2%	-11.0%
Commercial	60.2%	61.0%	-9.0%
Industrial	29.9%	28.0%	-24.8%
Utility	-22.4%	-22.4%	-54.5%
Avg. All Classes	95.4%	83.0%	-9.0%

billion to \$1.87 billion, an increase of approximately \$748 million. In Kosciusko County, state tax credits increased from \$11.2 million to \$22.4 million, an increase of \$11.2 million. This paper provides a brief summary of how these factors changed property tax liabilities in Kosciusko County.

Tax Shifts. Kosciusko County saw a property tax shift from business and agricultural property owners to residential property owners. Tax bills paid by residential property owners increased, while tax bills paid by agricultural, 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 property increased significantly more than the assessed values of business and agricultural property. Gross assessed values of residential property increased more than 150%. On the other hand, the AV of agricultural property increased approximately 80%, 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 Kosciusko County saw their tax bills decrease, while the average residential property increased. 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 Kosciusko County, more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, three-quarters of homestead owners saw decreases while one-quarter saw increases.

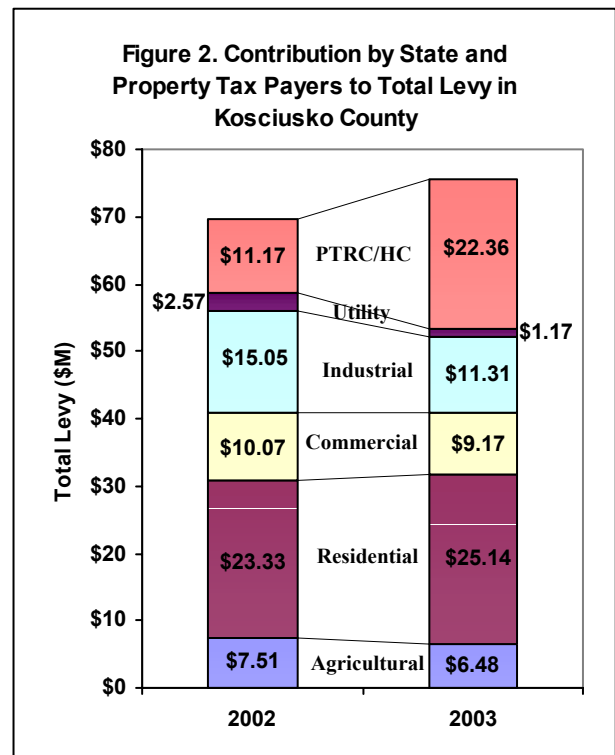
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	53.1%	23.5%	48.5%	18.8%
Decreased	46.9%	76.5%	51.5%	81.2%
Increased 100% or More	15.0%	2.6%	13.0%	2.0%
Decreased 25% or More	26.2%	48.8%	30.6%	56.0%
Average Change (\$)	\$41	-\$131	\$0	-\$176
Average Change (%)	6.7%	-14.8%	0%	-19.9%

* 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, slightly less than half of all residential property owners would have seen tax increases, and slightly more than half would have seen tax decreases. For homesteads, 19% would have seen increases and 81% would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of significantly more homeowners than they increased.

Agriculture. Taxes on agricultural property in Kosciusko County fell. Overall, agricultural homestead taxes and agricultural business taxes fell by similar amounts. The net assessed value on non-homestead agricultural real property nearly 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 business and agricultural property fell in Kosciusko County because assessed values rose much less than residential 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—especially the unusually large rise in residential assessments—in Kosciusko 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 Kosciusko County by PTRC and state homestead credit payments increased by approximately 100%, from \$11.2 million to \$22.4 million.

Table 3 shows estimates of how Kosciusko County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of the residential tax increases and reduced the taxes on agricultural property. Kosciusko County residential property taxes still increased, on average. However, residential homestead taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than 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	8.1%	-13.7%	-21.8%
Residential (All)	42.8%	7.8%	-35.0%
Homestead Only	40.5%	-11.0%	-51.5%
Commercial	-1.4%	-9.0%	-7.6%
Industrial	-18.3%	-24.8%	-6.5%
Utility	-55.7%	-54.5%	1.2%

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.

Kosciusko 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	2,060,625,055	354,651,766	1,238,142,278	786,638,348	264,961,386	193,201,440	9,668,185
Real Deductions	153,027,446	19,737,206	117,925,764	117,925,764	8,189,699	7,163,358	11,419
Real Net Assessed Value	1,907,597,609	334,914,560	1,120,216,514	668,712,584	256,771,687	186,038,082	9,656,766
Personal Gross Assd. Value	771,892,691	46,855,310	19,329,779	0	158,557,483	443,405,079	103,745,040
Personal Deductions	8,009,370	0	14,790	0	7,507,820	486,760	0
Personal Net Assd. Value	763,883,321	46,855,310	19,314,989	0	151,049,663	442,918,319	103,745,040
Total Gross Assessed Value	2,832,517,746	401,507,076	1,257,472,057	786,638,348	423,518,870	636,606,519	113,413,225
Total Deductions	161,036,816	19,737,206	117,940,554	117,925,764	15,697,519	7,650,118	11,419
Total Net Assessed Value	2,671,480,930	381,769,870	1,139,531,503	668,712,584	407,821,351	628,956,401	113,401,806
Gross Levy	69,788,605	8,868,539	28,757,028	16,957,203	11,720,583	17,471,737	2,970,719
PTRC (Calculated)	9,403,355	1,123,380	3,802,076	2,263,520	1,651,116	2,426,288	400,495
State/County Homestead Cr. (Calculated)	1,858,138	231,282	1,626,856	1,626,856	0	0	0
Net Levy	58,527,112	7,513,877	23,328,096	13,066,827	10,069,467	15,045,448	2,570,224
Pay 2003							
Real Gross Assessed Value	4,658,025,245	679,693,322	3,190,007,291	1,760,195,238	465,706,520	307,462,108	15,156,004
Real Deductions	620,209,947	85,190,669	515,003,135	515,003,135	11,860,964	8,128,153	27,026
Real Net Assessed Value	4,037,815,298	594,502,653	2,675,004,156	1,245,192,103	453,845,556	299,333,955	15,128,978
Personal Gross Assd. Value	875,374,425	49,572,047	20,816,616	0	212,898,993	519,210,984	72,875,785
Personal Deductions	23,767,770	0	5,940	0	9,976,180	13,785,650	0
Personal Net Assd. Value	851,606,655	49,572,047	20,810,676	0	202,922,813	505,425,334	72,875,785
Total Gross Assessed Value	5,533,399,670	729,265,369	3,210,823,907	1,760,195,238	678,605,513	826,673,091	88,031,789
Total Deductions	643,977,717	85,190,669	515,009,075	515,003,135	21,837,144	21,913,803	27,026
Total Net Assessed Value	4,889,421,953	644,074,700	2,695,814,832	1,245,192,103	656,768,369	804,759,288	88,004,763
Gross Levy	75,939,552	9,597,470	37,754,476	18,531,926	12,397,578	14,682,554	1,507,474
PTRC (Calculated)	21,250,304	2,972,767	11,337,825	5,621,098	3,229,839	3,371,284	338,589
State/County Homestead Cr. (Calculated)	1,420,376	143,870	1,276,505	1,276,505	0	0	0
Net Levy	53,268,872	6,480,832	25,140,146	11,634,323	9,167,739	11,311,271	1,168,884
COMPARISONS							
Net Levy Percent Change	-9.0%	-13.7%	7.8%	-11.0%	-9.0%	-24.8%	-54.5%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	126.0%	91.7%	157.6%	123.8%	75.8%	59.1%	56.8%
Gross Personal AV	13.4%	5.8%	7.7%	0.0%	34.3%	17.1%	-29.8%
Total Gross Assessed Value	95.4%	81.6%	155.3%	123.8%	60.2%	29.9%	-22.4%
Net Assessed Value	83.0%	68.7%	136.6%	86.2%	61.0%	28.0%	-22.4%
Gross Levy	8.8%	8.2%	31.3%	9.3%	5.8%	-16.0%	-49.3%
Net Levy	-9.0%	-13.7%	7.8%	-11.0%	-9.0%	-24.8%	-54.5%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	9,284,164	20,913,846	11,629,682	125.3%			
State Homestead Cr. (Abstract)	1,890,205	1,451,069	-439,136	-23.2%			
Total State Credits (Abstract)	11,174,369	22,364,916	11,190,546	100.1%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Kosciusko 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	7,513,877	6,480,832	-1,033,045	-13.7%	12.8%	12.1%	-0.7%
Residential	23,328,096	25,140,146	1,812,050	7.8%	39.6%	46.9%	7.3%
Commercial	10,069,467	9,167,739	-901,728	-9.0%	17.1%	17.1%	0.0%
Industrial	15,045,448	11,311,271	-3,734,177	-24.8%	25.6%	21.1%	-4.5%
Utility	2,570,224	1,168,884	-1,401,340	-54.5%	4.4%	2.2%	-2.2%
Exempt	316,091	299,393	-16,698	-5.3%	0.5%	0.6%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	58,843,203	53,568,265	-5,274,938	-9.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	6,558,751	5,896,359	-662,392	-10.1%	11.1%	11.0%	-0.1%
Residential	22,920,210	24,933,437	2,013,227	8.8%	39.0%	46.5%	7.6%
Commercial	6,418,466	6,089,421	-329,045	-5.1%	10.9%	11.4%	0.5%
Industrial	4,383,281	3,719,693	-663,588	-15.1%	7.4%	6.9%	-0.5%
Utility	241,048	213,998	-27,050	-11.2%	0.4%	0.4%	0.0%
Exempt	316,091	299,393	-16,698	-5.3%	0.5%	0.6%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	40,837,847	41,152,301	314,454	0.8%	69.4%	76.8%	7.4%
Agricultural Homesteads	2,908,499	2,407,204	-501,295	-17.2%	4.9%	4.5%	-0.4%
Residential Homesteads	13,066,827	11,634,323	-1,432,504	-11.0%	22.2%	21.7%	-0.5%
Total Homesteads	15,975,326	14,041,527	-1,933,799	-12.1%	27.1%	26.2%	-0.9%
Non-Homestead Residential	9,853,383	13,299,114	3,445,731	35.0%	16.7%	24.8%	8.1%
Apartments (Over 4 Units)	519,239	566,319	47,080	9.1%	0.9%	1.1%	0.2%
<u>Personal Property Only</u>							
Agricultural	955,126	584,474	-370,652	-38.8%	1.6%	1.1%	-0.5%
Residential	407,886	206,709	-201,177	-49.3%	0.7%	0.4%	-0.3%
Commercial	3,651,001	3,078,318	-572,683	-15.7%	6.2%	5.7%	-0.5%
Industrial	10,662,168	7,591,577	-3,070,591	-28.8%	18.1%	14.2%	-3.9%
Utility	2,329,176	954,886	-1,374,290	-59.0%	4.0%	1.8%	-2.2%
Total	18,005,357	12,415,964	-5,589,393	-31.0%	30.6%	23.2%	-7.4%
Total Depreciables	11,988,758	8,200,790	-3,787,968	-31.6%	20.4%	15.3%	-5.1%
Total Inventory	5,608,713	4,008,465	-1,600,248	-28.5%	9.5%	7.5%	-2.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	3,650,251	3,489,155	-161,096	-4.4%	6.2%	6.5%	0.3%
Ag Personal	955,126	584,474	-370,652	-38.8%	1.6%	1.1%	-0.5%
Total Ag Business	4,605,377	4,073,629	-531,748	-11.5%	7.8%	7.6%	-0.2%
Ag Homesteads	2,908,499	2,407,204	-501,295	-17.2%	4.9%	4.5%	-0.4%

* "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**
Kosciusko 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	381,769,870	644,074,700	262,304,830	68.7%	14.2%	13.1%	-1.1%
Residential	1,139,531,503	2,695,814,832	1,556,283,329	136.6%	42.5%	54.9%	12.4%
Commercial	407,821,351	656,768,369	248,947,018	61.0%	15.2%	13.4%	-1.8%
Industrial	628,956,401	804,759,288	175,802,887	28.0%	23.4%	16.4%	-7.0%
Utility	113,401,806	88,004,763	-25,397,043	-22.4%	4.2%	1.8%	-2.4%
Exempt	12,306,540	20,170,410	7,863,870	63.9%	0.5%	0.4%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	2,683,787,471	4,909,592,362	2,225,804,891	82.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	334,914,560	594,502,653	259,588,093	77.5%	12.5%	12.1%	-0.4%
Residential	1,120,216,514	2,675,004,156	1,554,787,642	138.8%	41.7%	54.5%	12.7%
Commercial	256,771,687	453,845,556	197,073,869	76.8%	9.6%	9.2%	-0.3%
Industrial	186,038,082	299,333,955	113,295,873	60.9%	6.9%	6.1%	-0.8%
Utility	9,656,766	15,128,978	5,472,212	56.7%	0.4%	0.3%	-0.1%
Exempt	12,306,540	20,170,410	7,863,870	63.9%	0.5%	0.4%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	1,919,904,149	4,057,985,708	2,138,081,559	111.4%	71.5%	82.7%	11.1%
Agricultural Homesteads	155,114,339	252,699,911	97,585,572	62.9%	5.8%	5.1%	-0.6%
Residential Homesteads	668,712,584	1,245,192,103	576,479,519	86.2%	24.9%	25.4%	0.4%
Total Homesteads	823,826,923	1,497,892,014	674,065,091	81.8%	30.7%	30.5%	-0.2%
Non-Homestead Residential	451,503,929	1,429,812,053	978,308,124	216.7%	16.8%	29.1%	12.3%
Apartments (Over 4 Units)	20,673,664	40,205,412	19,531,748	94.5%	0.8%	0.8%	0.0%
<u>Personal Property Only</u>							
Agricultural	46,855,310	49,572,047	2,716,737	5.8%	1.7%	1.0%	-0.7%
Residential	19,314,989	20,810,676	1,495,687	7.7%	0.7%	0.4%	-0.3%
Commercial	151,049,663	202,922,813	51,873,150	34.3%	5.6%	4.1%	-1.5%
Industrial	442,918,319	505,425,334	62,507,015	14.1%	16.5%	10.3%	-6.2%
Utility	103,745,040	72,875,785	-30,869,255	-29.8%	3.9%	1.5%	-2.4%
Total	763,883,321	851,606,655	87,723,334	11.5%	28.5%	17.3%	-11.1%
Total Depreciables	506,387,814	555,262,864	48,875,050	9.7%	18.9%	11.3%	-7.6%
Total Inventory	238,180,518	275,533,115	37,352,597	15.7%	8.9%	5.6%	-3.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	179,800,221	341,802,742	162,002,521	90.1%	6.7%	7.0%	0.3%
Ag Personal	46,855,310	49,572,047	2,716,737	5.8%	1.7%	1.0%	-0.7%
Total Ag Business	226,655,531	391,374,789	164,719,258	72.7%	8.4%	8.0%	-0.5%
Ag Homesteads	155,114,339	252,699,911	97,585,572	62.9%	5.8%	5.1%	-0.6%

* "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.

**Kosciusko County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2002 to 2003	Change in Net AV 2002 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	157%	139%	9%	2%
Comparable Residential Real Prop.	153%	135%	7%	0%
Comparable Homesteads	118%	80%	-15%	-20%

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%	1,458	3.9%	60	0.4%	1,348	3.6%	53	0.3%
200% to 300%	756	2.0%	34	0.2%	639	1.7%	28	0.2%
100% to 200%	3,377	9.1%	305	2.0%	2,859	7.7%	230	1.5%
50% to 100%	4,001	10.7%	555	3.7%	3,741	10.0%	484	3.2%
25% to 50%	3,993	10.7%	791	5.2%	3,489	9.4%	610	4.0%
10% to 25%	3,077	8.3%	826	5.4%	2,969	8.0%	702	4.6%
5% to 10%	1,148	3.1%	432	2.8%	1,175	3.2%	303	2.0%
0 to 5%	1,959	5.3%	555	3.7%	1,832	4.9%	446	2.9%
0 to -5%	1,414	3.8%	583	3.8%	1,354	3.6%	540	3.6%
-5% to -10%	1,587	4.3%	699	4.6%	1,452	3.9%	554	3.7%
-10% to -25%	4,693	12.6%	2,920	19.2%	4,995	13.4%	2,725	18.0%
-25% to -50%	7,709	20.7%	6,163	40.6%	8,730	23.5%	6,740	44.4%
Below -50%	2,053	5.5%	1,249	8.2%	2,642	7.1%	1,757	11.6%
	37,225	100.0%	15,172	100.0%	37,225	100.0%	15,172	100.0%
Parcels With Increases	19,769	53.1%	3,558	23.5%	18,052	48.5%	2,856	18.8%
Parcels With Reductions	17,456	46.9%	11,614	76.5%	19,173	51.5%	12,316	81.2%
Average \$ Change		\$41		-\$131		\$0		-\$176
Average % Change		6.7%		-14.8%		0.0%		-19.9%

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

Data Source: 2002 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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