



Department of Local Government Finance

An Update from the Department of Local Government Finance

April 23, 2023

24th Annual Indiana Property Tax Institute



Disclaimer

- This presentation and other Department of Local Government Finance materials are not a substitute for the law. The following is not legal advice, just an informative presentation. The Indiana Code always governs.



Agenda

- Cost Schedules
- Ratio Studies
- Legislative Changes
- Appeals
- Property Values Data Snapshot
- Summary of 2024 Budget Cycle
- Excess Levy Appeals
- Referenda



Cost Schedules



Cost Schedules Update

- The Department hopes to update the cost schedules in a way that addresses many of the comments we have received from members of the assessment community.
- Per 50 IAC 2.4-1-1 (b), “All real property assessed after December 31, 2020, must be assessed in accordance with the 2021 Real Property Assessment Manual (Manual) and the Real Property Assessment Guidelines for 2021 (Guidelines)...” Hence, the Department is required to provide a manual and guidelines for the Assessor’s to use.



Cost Schedules Update

- Indiana Code § 6-1.1-4-4.5 specifies that the system for annually adjusting the assessed value of real property must be completed each year by assessing officials. One of the tools available for completing annual adjustments to property value includes the application of annually issued local cost multipliers for the cost schedules.
- The Indiana Administrative Code provision does not specify how frequently the manual or guidelines (including the Cost Schedules) are to be updated; however, based on comments from the assessment community, a greater frequency of updating the Cost Schedules could help alleviate concerns related to maintaining market value-in-use assessments.



Cost Schedules Update – Department RFP

- *So, what is the Department of Local Government Finance doing?*
 - The Department, in conjunction with the Indiana Department of Administration (IDOA), recently issued a Request for Proposal (RFP) for cost schedule data and data analysis. The RFP can be found at [IDOA: Procurement: Current Business Opportunities](#).



Cost Schedules Update – Department RFP

- The purpose of this solicitation is to select a respondent(s) that can satisfy the state's need for cost information to be used as source data for developing cost tables in the state's existing table format, which can be used by computer programs for the assessment of real property improvements.
- It is the intent of the Department to contract with a respondent(s) that provides quality annual public standard cost information and data (the contractor's intellectual property) for developing cost tables consistent with the cost models specified in the Real Property Assessment Guidelines for the cyclical reassessment of real property in the State of Indiana, including the annual update of the cost tables for the Department/License to Use Construction Cost Data.



Cost Schedules Update – Department RFP

- Depending on the responses to the RFP, this could include alternative source providers, as well as the format of the cost schedules (i.e., an “off the shelf” product to be used).
 - Responses to the RFP are due to the IDOA by May 17, 2024, at 3:00:00PM EST.



Cost Schedules Update – Department RFP

- Depending on the resolution (e.g., an alternative Cost Schedule format), this could take up to a year to implement.
- However, it is the intent of the Department to review and enhance the Cost Schedules, at least every two (2) years instead of every four (4) years.
- Questions about the RFP should be directed to the IDOA at rfp@idoa.in.gov.



Ratio Studies



2024 Ratio Studies

- Trends that we have seen with the 2024 Pay 2025 assessment data/information:
 - As of April 1, 2024, 83 of 89 Ratio Studies submitted have been approved.
 - The statewide average overall change in assessed value is 7.3%.
 - The statewide average overall change in assessed value in Commercial Improved property is 7.1%.
 - The statewide average overall change in assessed value in Industrial Improved property is 7.9%.
 - The statewide average overall change in assessed value in Residential Improved property is 7.4%.



2024 Ratio Studies

- As of April 1, 2024, Putnam County had the highest overall percent change (16.3%), and Shelby County had the lowest overall percent change (0.4%).
- The “doughnut” counties surrounding Marion County had the following overall assessed value changes:
 - Boone (10.0%)
 - Hamilton (7.6%)
 - Hancock (14.2%)
 - Hendricks (10.2%)
 - Johnson (5.2%)
 - Morgan (3.8%)
 - Shelby (0.4%)



Legislative Changes



Legislative Updates - Deductions

- House Enrolled Act 1120
 - (SEC. 8) Increases the assessed value limit for the disabled veteran property tax deduction from \$200,000 to \$240,000. Allows that, for purposes of various property tax deductions, an individual has until January 15 of a calendar year in which property taxes are first due and payable to complete, date, and file the required certified statement with the county auditor. (Retroactive Effective Date)
 - (SEC. 14) Reinstates a provision that was repealed in SEA 325-2023 (P.L.182-2023) that includes as a "homestead" property that is an individual's principal place of residence, is located in Indiana, and is owned by an entity, if the individual is a shareholder, partner, or member of the entity that owns the property.



Legislative Updates - Deductions

- House Enrolled Act 1120
 - Moves the deadline for submitting the application for various deductions from January 5 to January 15.

Homestead Deduction Application (SF 05743)	Fertilizer Storage Deduction Application (SF 45651)
Over 65 Deduction & Over 65 CB Credit (SF 43708)	Model Residence Deduction Application (SF 53812)
Blind/Disabled Deduction Application (SF 43710)	Residence in Inventory Deduction Application (SF 54861)
Disabled Veteran Deductions Application (SF 12662)	Building Constructed of Coal Combustion Products Deduction Application (SF 52500)
Environmental Deductions Application (SF 18865)	



Legislative Update – Late Filing Penalties

- House Enrolled Act 1328
 - Currently, if a business personal property taxpayer fails to file a return more than 30 days after the due date, there is a penalty in the amount of 20% of the taxes due with the return.
 - SEC. 22 of HEA 1328 limits the penalty amount for a late filing more than 30 days after the due date to the following:
 - (1) Lesser of 10% of taxes due or \$10,000, if the return is filed on or before November 15; or
 - (2) Lesser of 20% of taxes dues or \$50,000, if the return is filed after November 15.



Legislative Update – Late Filing Penalties

- House Enrolled Act 1328
 - (SEC. 39) Specifies that for 2022 Pay 2023, any late filing penalty imposed under Ind. Code § 6-1.1-37-7 against a taxpayer may not exceed \$50,000.
 - (SEC. 23) Repeals Ind. Code § 6-1.1-37-7.5, which specified that a person who fails to provide, within 45 days after the filing deadline, evidence of the filing of a personal property return shall pay to the county a penalty equal to 10% of the tax liability.



Legislative Update – Assessment Matters

- House Enrolled Act 1328
 - (SEC. 18) Provides for the staggering of terms for PTABOA members.
 - (SEC. 7-9) Requires the Department to notify the county assessor of the department's tentative assessment, or information related to tentative valuation changes, of a utility company's distributable property not later than June 1.



Legislative Update – Assessment Matters

- Senate Enrolled Act 246
 - Provides that a parcel of land that: (1) is at least $\frac{1}{2}$ of an acre in size; and (2) contains wetlands, as delineated by a person certified in wetland delineation; may be classified as wildlands for purposes of property tax assessment.



Legislative Update – Mobile Homes

- Senate Enrolled Act 183
 - Provides that a county fiscal body may adopt an ordinance to exempt mobile homes and manufactured homes located in the county from property taxation (exemption ordinance).
 - Provides that for an annual assessment date in which an exemption ordinance is in effect, a county assessor shall not assess a mobile home or a manufactured home granted the property tax exemption.
 - Specifies that the discretionary adoption of an exemption ordinance does not apply to mobile homes and manufactured homes that are assessed as: (1) inventory; or (2) real property; under the property tax laws and administrative rules.



Legislative Update – SALTR

- House Enrolled Act 1120
 - Assigned eight (8) additional topics for the State & Local Tax Review Task Force to review:
 - (1) AG Land Base Rate Formula
 - (2) Use of Influence Factor for Excess Residential Acreage
 - (3) Controlled Project Debt Service Rate
 - (4) 3-Year Growth Appeal Eligibility
 - (5) TIF Parcel Modifications
 - (6) Operating Referendum Tax Caps
 - (7) MLGQ Formula
 - (8) Use of Debt by Schools



Appeals



Total Appeals Filed with PTABOA

Category	Filed 2022	Filed 2023
Total Appeals Filed	42,741	55,367
Total Appeals Resolved by Preliminary Informal Meeting	16,613	16,005
Total PTABOA Hearings Held for Subject Year	2,606	2,333
Total PTABOA Hearings Held for Previous Year	2,243	2,100
Total Written Decisions for Appeals Filed in Subject Year	2,896	2,676
Total Written Decisions for Appeals Filed in Previous Year	2,327	2,293



Total Appeals Filed with PTABOA

Property Type	Filed 2022	Filed 2023
Agricultural Parcels	2,309	2,066
Residential Parcels	32,426	35,961
Commercial Parcels	5,646	5,713
Industrial Parcels	1,462	1,462
Utility Parcels	2	15
Exempt Parcels	89	96
Mobile or Manufactured Homes	205	126



Large Counties – Appeals Snapshot

County	Filed 2022	Informal Resolution 2022	Informal Resolution as % of Appeals Filed 2022	Filed 2023	% Change from 2022	Informal Resolution 2023	Informal Resolution as % of Appeals Filed 2023
Allen County	1,932	1,667	86.3%	2,556	↑ 32.3%	2,151	84.2%
Elkhart County	1,795	728	40.1%	2,044	↑ 13.9%	574	28.1%
Hamilton County	1,472	420	28.5%	2,458	↑ 67.0%	705	28.7%
Lake County	2,445	13	0.5%	3,300	↑ 35.0%	19	0.6%
Marion County	4,993	1,640	32.8%	10,560	↑ 111.5%	1,667	15.8%
St. Joseph County	12,711	2,338	18.3%	5,873	↓ 54.5%	1,515	25.8%



Appeal Outcomes & Representation

Resolution	Filed 2022	Filed 2023
(Hearing) In Favor of Taxpayer	2,302	1,526
(Hearing) In Favor of Assessor	2,250	1,946
(Hearing) Other	676	737
(Informal) In Favor of Taxpayer	15,025	15,372
(Informal) In Favor of Assessor	6,520	5,763
(Informal) Other	2,329	1,228

Representation	Filed 2022	Filed 2023
Attorney	1,038	1,877
Tax Representative	8,402	10,803

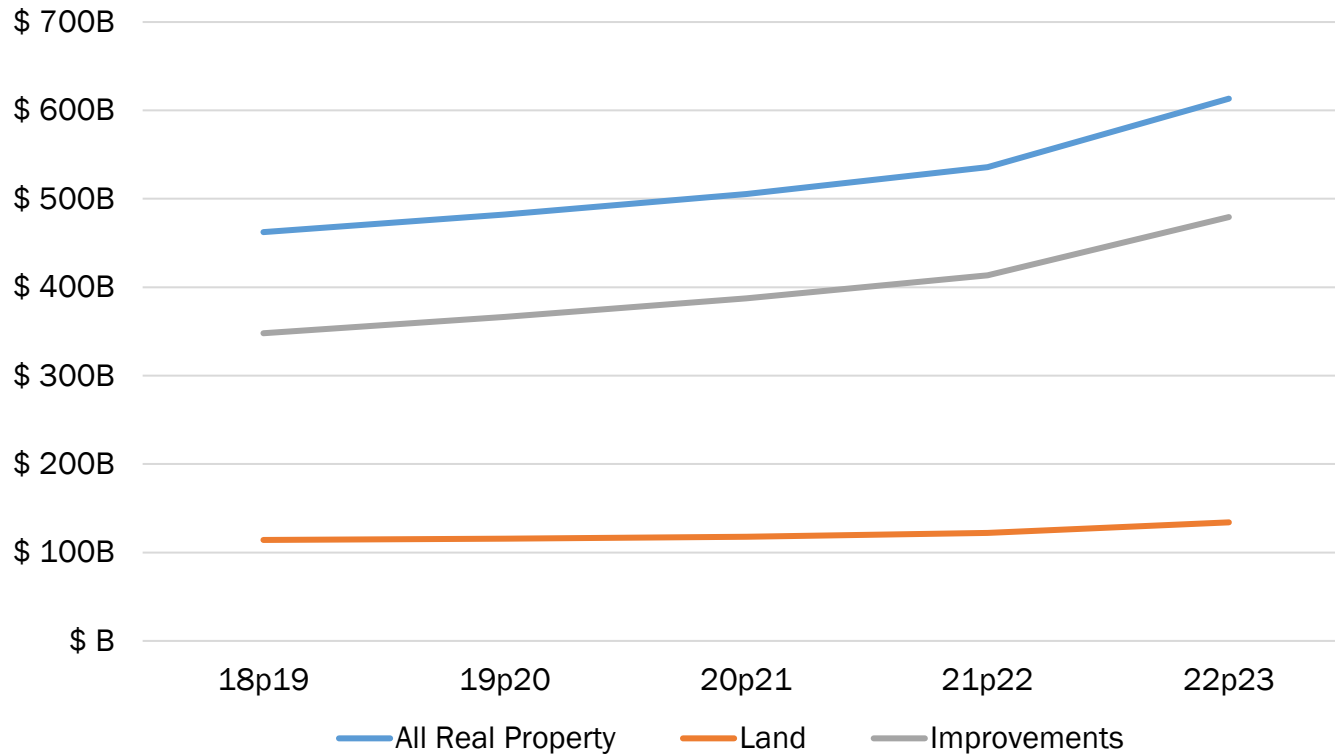


Property Values Data Snapshot



Real Property Data – Statewide Trends

Real Property AV by Category – Statewide



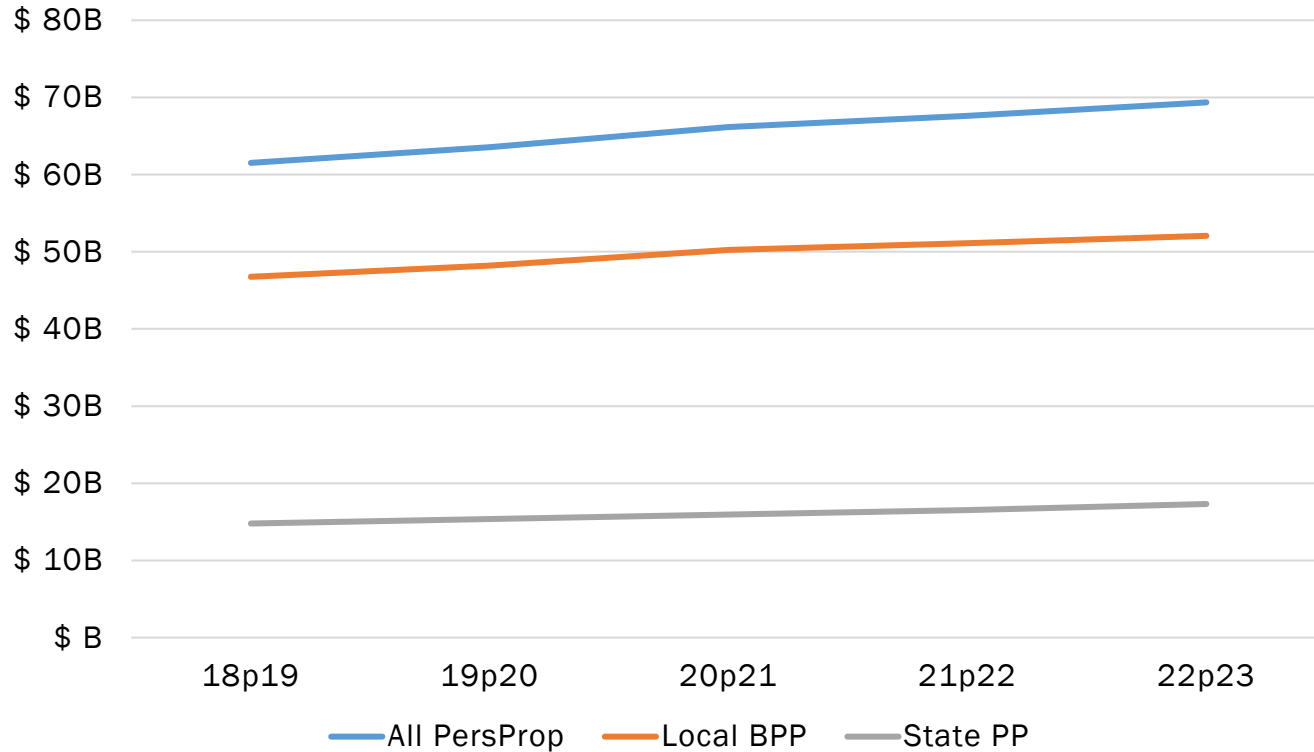
18p19 – 22p23			
	Growth \$	Growth %	Compound Annual Growth Rate
All Real	\$151.15 B	32.71%	5.82%
Land	\$19.88 B	17.40%	3.26%
Improvements	\$131.27 B	37.73%	6.61%

21p22 – 22p23		
	Growth \$	Growth %
All Real	\$77.6 B	14.49%
Land	\$12.0 B	9.84%
Improvements	\$65.6 B	15.86%



Personal Property Data – Statewide Trends

Personal Property AV by Category – Statewide



18p19 – 22p23			
	Growth \$	Growth %	CAGR
All Personal	\$61.54 B	12.70%	2.42%
BPP	\$46.78 B	11.29%	2.16%
Utility/Rail	\$14.76 B	17.20%	3.22%

21p22 – 22p23		
	Growth \$	Growth %
All Personal	\$1.74 B	2.6%
BPP	\$0.946 B	1.9%
Utility/Rail	\$0.797 B	4.8%



Property Tax Cap Buckets

1%

Cap

“Homestead Residential”

- Property receiving the Homestead Deduction
- No Personal Property

2%

Cap

“Non-Homestead Residential”

- Non-Homestead Residential
- Commercial Apartments
- Long Term Care Facilities
- Agricultural Land
- Mobile-Home Land
- No Personal Property

3%

Cap

“Commercial Industrial”

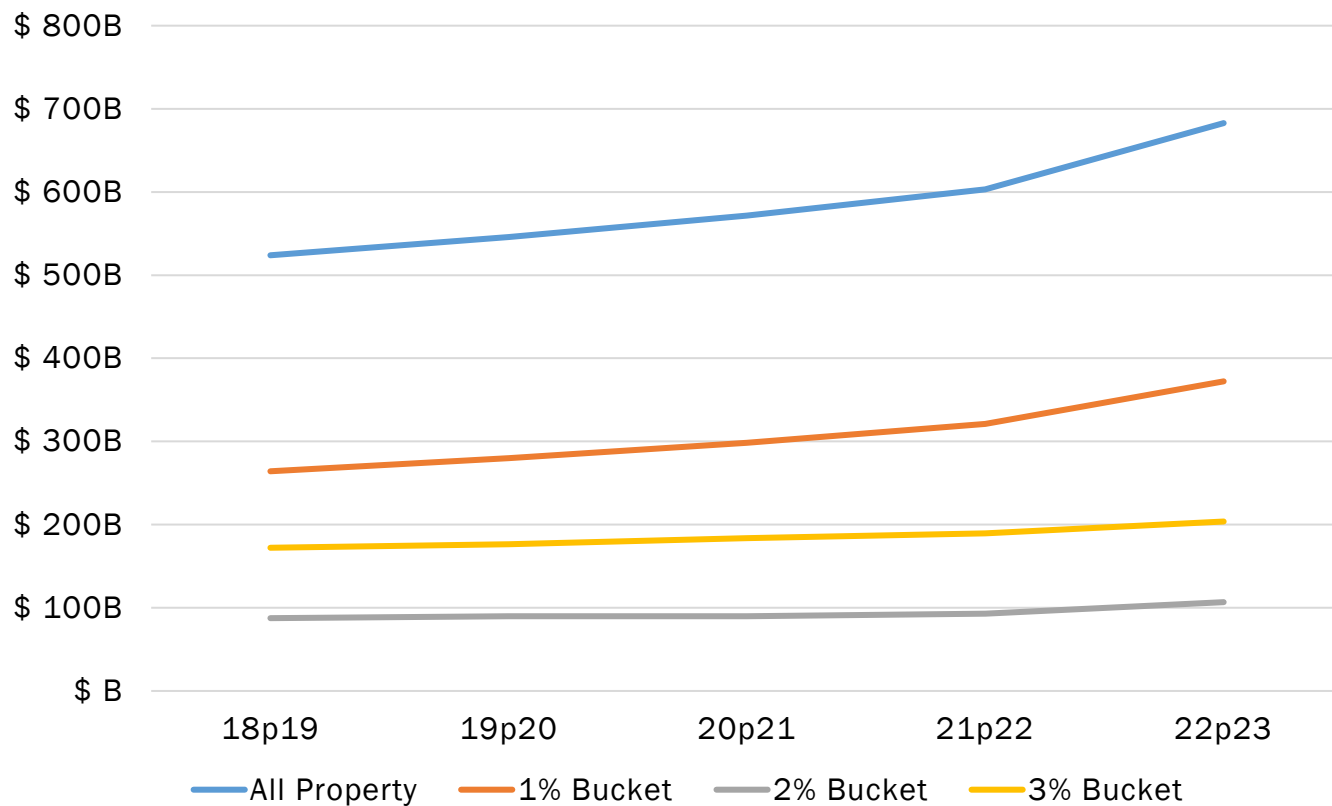
- All Other Land
- All Other Improvement
- All Personal Property

IC 6-1.1-20.6-7.5



Statewide AV Trends by CB Bucket

AV By CB Bucket by Year



18p19 - 22p23			
	Growth \$	Growth %	CAGR
All Property	\$158.97 B	30.36%	6.85%
1% Cap	\$108.34 B	41.04%	8.98%
2% Cap	\$19.28 B	22.05%	5.11%
3% Cap	\$31.35 B	30.36%	4.27%

21p22 - 22p23		
	Growth \$	Growth %
All Property	\$79.4 B	13.16%
1% Cap	\$51.1 B	15.92%
2% Cap	\$14.0 B	15.07%
3% Cap	\$14.3 B	7.53%



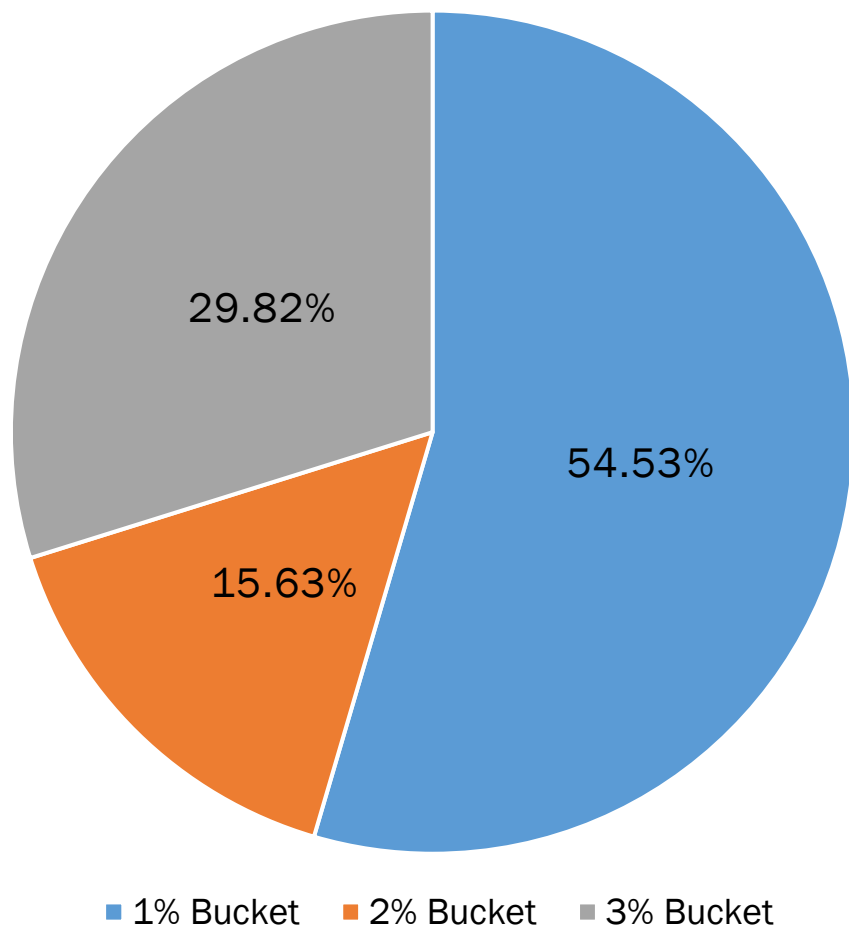
22 Pay 23 Deductions & Exemptions

	1% Bucket	2% Bucket	3% Bucket	Total
Homestead Deduction	\$80.3 B	-	-	\$80.3 B
Supplemental Homestead Deduction	\$101.6 B	-	-	\$101.6 B
Over 65	\$1.1 B	-	\$0.2 B	\$1.3 B
Veteran Disability (Partial + Total)	\$1.6 B	\$0.08 B	\$0.30 B	\$2.0 B
Economic Revitalization Area Abatements	-	\$0.3 B	\$4.9 B	\$5.3 B
All Other Deductions	\$3.2 B	\$0.2 B	\$2.1 B	\$5.5 B
Total Deductions	\$187.7 B	\$0.6 B	\$7.5 B	\$195.9 B
Total Exemptions	-	\$3.7 B	\$19.9 B	\$23.6 B
% Of All Deductions & Exemptions	86%	2%	12%	-
% of Gross AV	50%	4%	13%	-

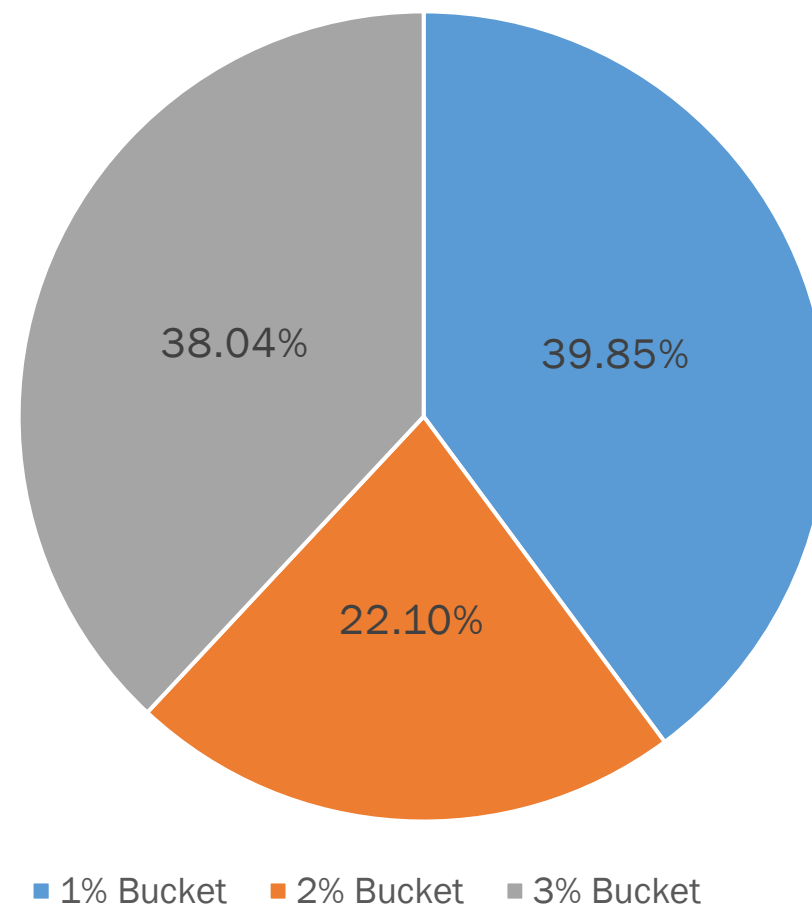


Shift in Assessed Value Mix

Gross AV Distribution by CB Bucket



Net AV Distribution by CB Bucket





Summary of 2024 Budget Cycle



Pay-2024 Budget Cycle

- The Department certified Pay-2024 budgets for 2,466 local units (and fire territories) in Indiana.
 - 11,752 total funds
 - 7,412 property tax-supported funds



Pay-2024 Budget Cycle

Unit Type	Certified Budget	Change from '23	Certified Levy	Change from '23
Counties	\$3,587M	9%	\$1,891M	4%
Townships	\$565M	7%	\$363M	7%
City/Towns	\$4,173M	8%	\$2,465M	6%
Schools	\$13,864M	6%	\$4,579M	5%
Libraries	\$605M	4%	\$417M	4%
Special Districts	\$2,873M	12%	\$717M	10%
Conservancies	\$58M	10%	\$19M	-3%
Total	\$25,726M	7%	\$10,450M	6%

- Certified budgets total approximately \$25.7 billion.
- Certified levies total approximately \$10.5 billion.
- School corporation budgets include an Education Fund, not supported by property tax.
- Special Districts include
 - Fire protection districts
 - Utilities
 - Airports
 - Indianapolis-Marion County



Levies for Fire Protection Services

- Townships
 - Unincorporated area
 - In municipality, by agreement
 - Separate funds & levy limits for fire protection
- Municipalities
 - Pays out of General Fund, difficult to ascertain fire expenses at fund level



Levies for Fire Protection Services

- Fire Protection Districts
 - Created by County Commissioners
 - Budget & levy is set by County Council
 - Levy replaces pre-existing fire protection levies in underlying units (except for existing debt)
- Fire Protection Territories
 - Contractual arrangement between two or more “participating units”
 - Has its own dedicated budget and tax levy
 - Levy replaces pre-existing fire protection levies in underlying units (except for existing debt)



Levies for Fire Protection Services

- For Pay-2024:
 - Certified budgets total \$526 million
 - Certified levies total \$421 million
 - Excludes amounts for municipalities

For Fire Protection	Pay 2024 Budget Totals	Pay 2024 Levy Totals
Townships	\$249,773,637	\$196,369,929
Fire Protection Districts	\$117,131,498	\$88,977,920
Fire Protection Territories	\$159,014,910	\$135,624,356
Totals	\$525,920,045	\$420,982,205



Levies for Fire Protection Services

- Fire protection levies allowed to grow by MLGQ, but state law also allows the levy to grow based on population.
 - HEA 1065-2020 (townships & districts)
 - HEA 1246-2022 (territories)
- Percentage difference in population over a ten-year period in the fire service area over 6%, converted into an additional tax rate.



Levies for Fire Protection Services

- The Department must certify the rate increase allowed for fire protection services.
- Since 2020, number of requests for a certification continues to grow.

Submissions by Type	Pay 2021	Pay 2022	Pay 2023	Pay 2024
Townships	11	12	19	26
Fire Protection Districts	1	3	4	2
Fire Protection Territories	--	--	9	6



New Tax Levies

- Fire Territories
 - Lewisville-Franklin Township FPT, Henry County
 - Attica FPT, Fountain County
 - Spring Valley FPT, Orange County
 - Eastern Greene FPT, Greene County (expansion)
 - Bluffton FPT, Wells County
 - Patoka Township & Town of Princeton, Gibson County (FPT dissolved, levies reset by law)



New Tax Levies

- Fire Districts
 - Highlander FPD, Floyd County (replaces pre-existing districts)
 - In Allen County
 - West Central Allen FPD
 - Northwest Allen FPD
 - Northeast Allen FPD
 - Planning to have one district in Allen County



Excess Levy Appeals



Excess Levy Appeals

- For Pay-2024, the Department received 95 excess levy appeals.
 - Pay-2022: 42 submissions
 - Pay-2023: 84 submissions
- 77 submissions were 3-Year Growth appeals, mostly from municipalities & especially in metropolitan areas.
 - Approved levies are dependent on how much CNAV grew over the MLGQ based on a statutory formula.



Excess Levy Appeals

Appeal Type	Received	Approved
Annexation/Extension of Services/Consolidation	7	6
Three-Year Growth	77	68
Emergencies	2	1
Shortfalls	4	4
Corrections of Error	0	0
School Transportation	3	3
Other	2	2
Total	95	84

- Total Amount Requested: \$56,561,604
- Total Amount Approved: \$40,066,136
- Approved appeals include approving the whole or part of the requested amount.



Excess Levy Appeals

- What the Department is seeing with the submitted appeal justifications
- Ongoing Development → More People, More Services Needed
 - Increasing compensation to retain & hire staff.
 - Replacing infrastructure & equipment.
 - Annexations, extending services to new areas.



Excess Levy Appeals

- Competition with neighboring communities, state government.
 - Hire/retain personnel, esp. in police & fire departments.
 - Local Income Tax distributions.
- Increasing level of services, esp. with fire protection
 - E.g., Allen County Fire District consolidation
 - 9 appeals from townships
 - 4 appeals from fire districts (incl. Whiteland)
 - 5 appeals for fire territories



Excess Levy Appeals

- “Unable to perform government functions”
 - Presents a challenge
 - Looked for concrete examples of need
 - Tornadoes in Johnson & Sullivan Counties, declarations of disaster
 - Hiring new staff
 - Which direction are cash reserves trending?
- Some units wanting to maintain tax rates while increasing levies.
 - Communities with a lot of development.



Referenda



Property Tax Referenda

- For the November 2023 general election, the Department received 12 requests for approval of a ballot question to be put on a referendum.
 - 9 for Operating Expenses
 - 2 for Safety Expenses
 - 1 for a Capital Project



Property Tax Referenda

- **Successful Operating Referenda**
 - Monroe County Community Schools
 - Northeast Dubois County Schools
 - West Lafayette Schools, Tippecanoe County
 - Sheridan Community Schools, Hamilton County
 - Carmel Clay Schools, Hamilton County
 - Hamilton Southeastern Schools, Hamilton County
- **Unsuccessful Operating Referenda**
 - Lake Station Schools, Lake County
 - School City of Whiting, Lake County
 - School City of Hammond, Lake County



Property Tax Referenda

- Capital Referendum
 - School City of Hammond, Lake County (failed)
- Safety Referenda
 - Fort Wayne Community Schools, Allen County (passed)
 - Bluffton Harrison MSD, Wells County (failed)



Property Tax Referenda

- For the May 2024 primary election, the Department received four (4) requests for approval of a ballot question to be put on a referendum.
 - MSD Pike Township (Operating)
 - Blue River Valley Schools (Operating)
 - Brown County Schools (Operating)
 - Fremont Community Schools (Operating)



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Questions?