

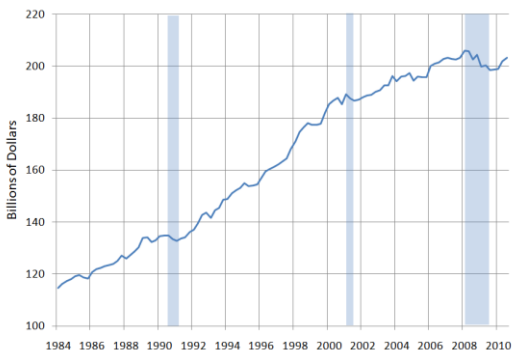
Purdue Cooperative Extension Service

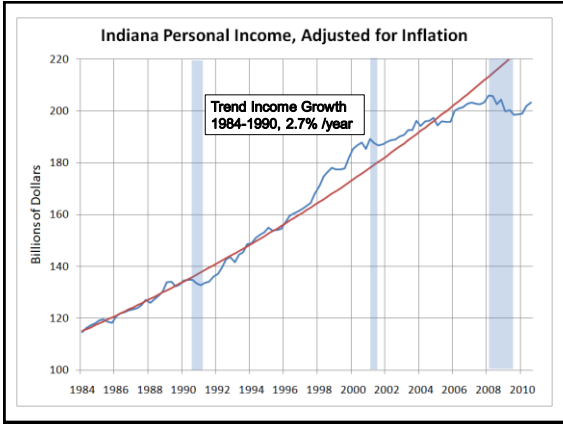
Economic Growth, Farm Land Assessments and Property Taxes

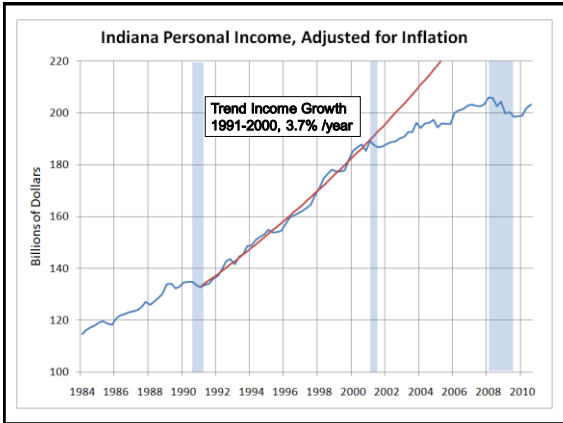
Larry DeBoer
Purdue University
July 13, 2011

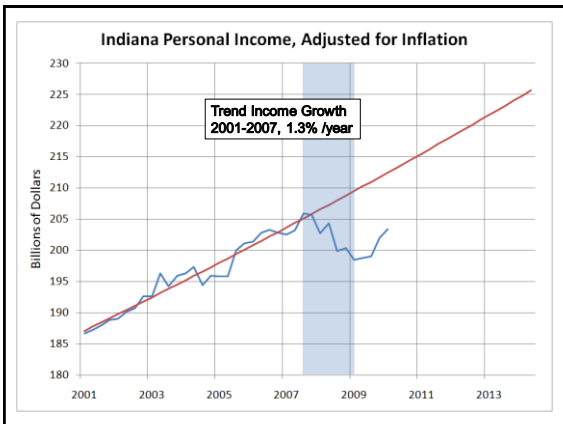
ECONOMIC GROWTH IN INDIANA

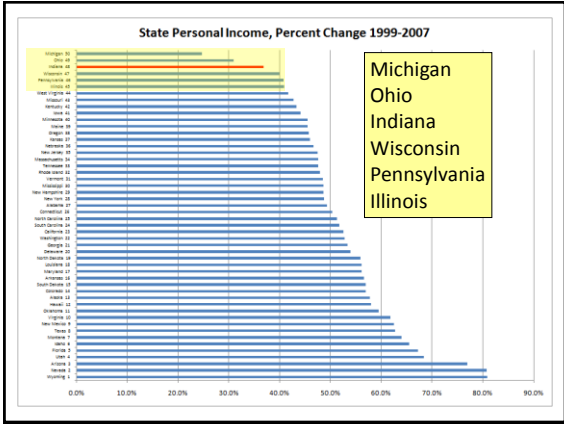
Indiana Personal Income, Adjusted for Inflation

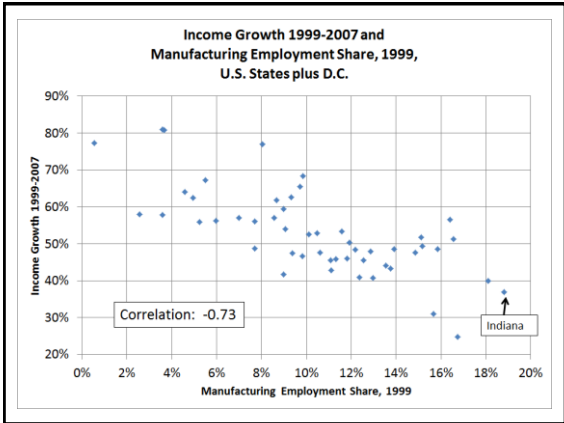


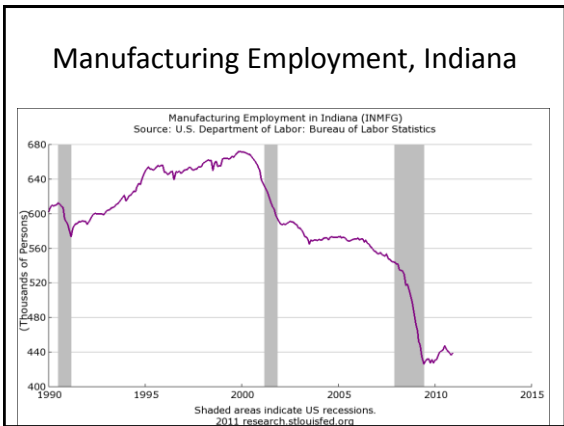


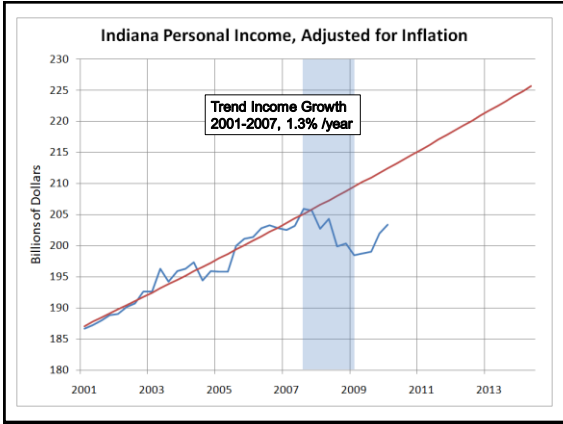












Comparison of Actual FY2011 Revenues to FY2010 and Forecasts

	Actual Revenues		Forecasts		
	FY 2011	FY 2010	Budget, May '09	Revision, Dec. '10	Budget, April '11
Year to Date (May)	\$11,659	\$10,683	\$12,009	\$11,422	\$11,532
Actual YTD, Pct. Chg.	9.1%		-2.9%	2.1%	1.1%
Total, 12 months		\$12,187	\$13,609	\$12,951	\$13,071
Pct. Chg. from FY10			11.7%	6.3%	7.3%
Forecast, 2012				\$13,402	\$13,741
Pct. Chg. from FY11				3.5%	5.1%
Forecast, 2013				\$13,946	\$14,249
Pct. Chg. from FY12				4.1%	3.7%

INDIANA'S LOCAL INCOME TAXES

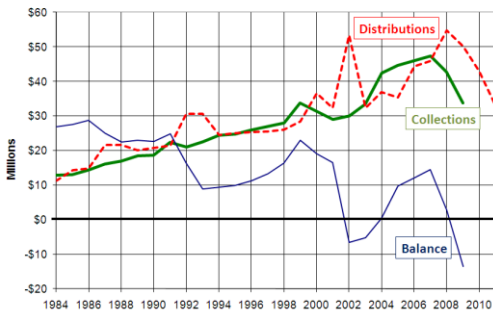
Local Income Tax Distributions, 2009

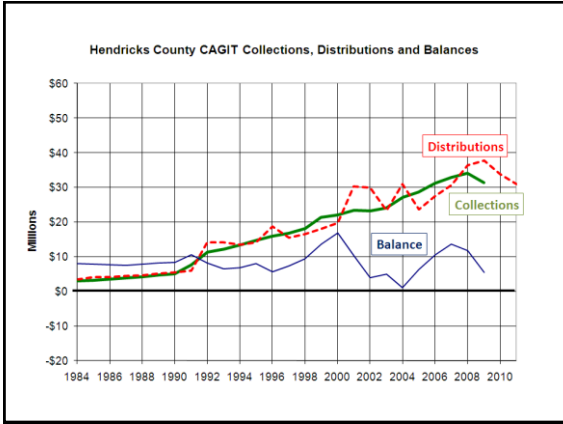
- Based on tax returns reported from July 1 2007 to June 30 2008
- Returns from income earned in 2007
- Distributions from state paid out of income tax withholdings and payments from 2009
- Distributions exceeded withholdings and payments in many counties

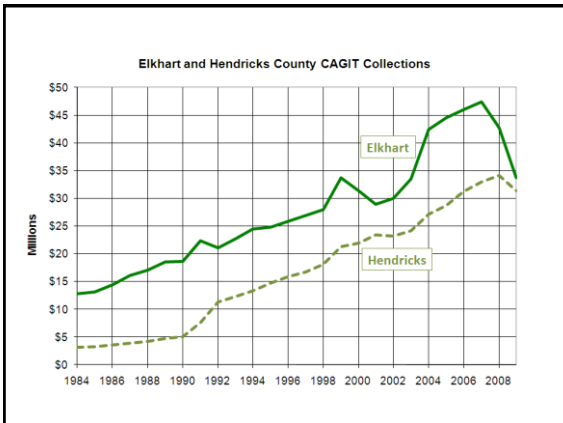
Local Income Tax Distributions, 2011

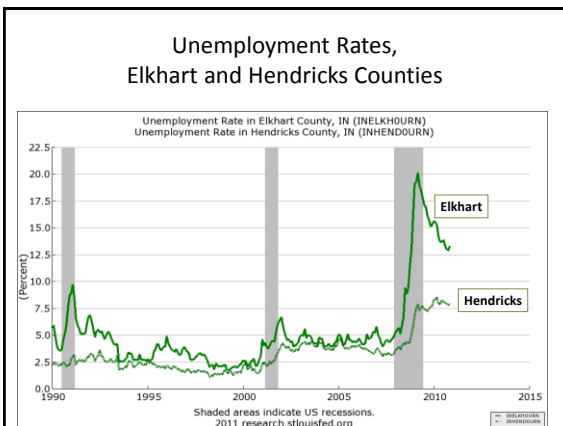
- Based on tax returns reported from July 1 2009 to June 30 2010
- Returns from income earned in 2009
- 2009 was the worst year of recession, so distributions declined by 16%, on average
- Additional distributions made when balances reach high levels

Elkhart County CAGIT Collections, Distributions and Balances



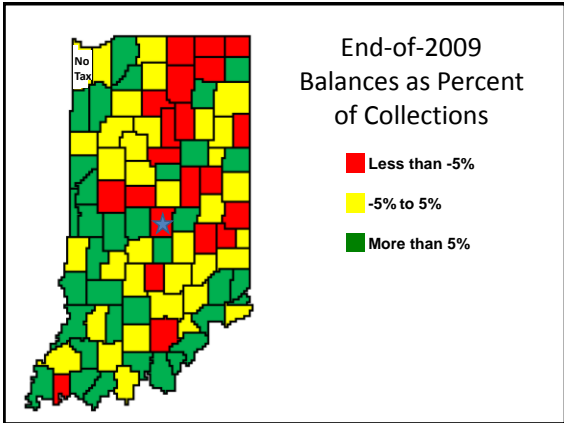


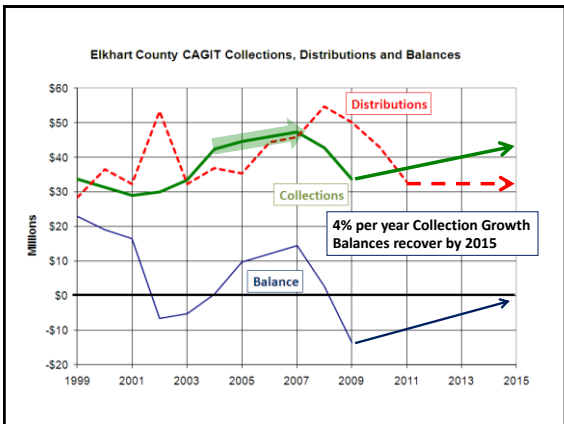


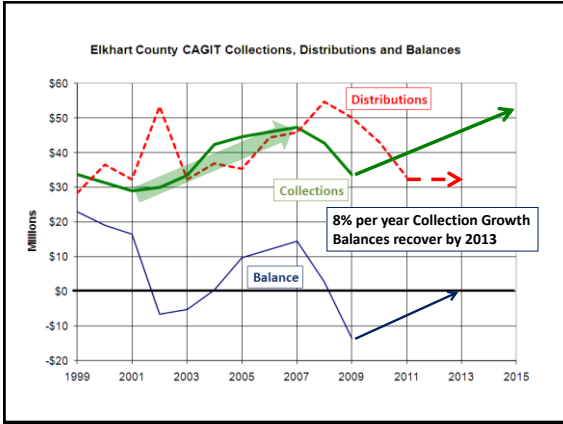


Average LOIT Balances as Percent of Collections, 2009

Change in Unemployment Rate, 2007-2009	LOIT Balance Percent	Number of Counties
Under 5%	6.4%	33
5% to 7%	-1.9%	29
Over 7%	-2.9%	29
All Counties	0.9%	91







PROPERTY TAX AND RECESSION

Recession, Trending and Tax Caps

- Recession reduced property prices and new construction in 2009 in many counties.
- Trending incorporates reduced prices into assessed values in 2010.
- 2010 assessments are used for property tax billing in 2011.
- Lower assessed values require higher tax rates to raise a particular levy.
- Higher tax rates make more taxpayers eligible for tax cap credits, in taxing districts where rates are already higher.
- Tax cap credits are revenue lost to local governments.
- Property tax revenue is vulnerable to recession, with a two-year lag.

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Percent Change in Taxable Assessed Value, 2010-2011

(91 counties)

Increase in Unemployment Rate, 2007-2009	Agriculture Share in A.V.			All Ag Shares
	Less than 10%	10% to 20%	More than 20%	
Less than 5%	-0.2%	2.7%	3.2%	1.5%
5% to 7%	-2.1%	0.9%	2.4%	0.9%
More than 7%	-4.4%	-0.9%	1.1%	-0.5%
All Unemployment Changes	-1.5%	0.9%	2.2%	0.8%

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**Number of Counties with Changes in Rates,
Net Assessed Values and Levies, 2010-2011**

(91 counties)

Pct. Change in Average Tax Rate, 2010-2011	Levy Percent Change		Net A.V. Pct. Change		All
	Less Than 2%	2% or More	Less Than 2%	2% or More	
Less than -2%	20	1	8	13	21
-2% to +2%	19	11	21	9	30
More than 2%	13	27	39	1	40
All Tax Rate Changes	52	39	68	23	91

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Average Change in Tax Cap Credits as Percent of Levy, 2010-2011

(91 counties)

Rate Pct. Change	2010 Rate, Dollars per \$100 AV		
	Less than \$2.00	\$2.00 or More	All Rates
Less than -2%	0.0%	-0.1%	0.0%
-2% to +2%	0.4%	0.5%	0.4%
More than 2%	0.7%	2.2%	1.5%
All Rate Changes	0.4%	1.1%	0.8%

Example: Allen County (2)

2010 Tax Cap Credits (000)	2011 Tax Cap Credits (000)	Change (000)	2010 Pct. Of Levy	2011 Pct. Of Levy	Change
24,632	34,995	10,363	7.0%	10.1%	3.2%

Per \$100 AV	Percent Changes, 2010-2011			Dollar Changes (000), 2010-2011		
Avg. Tax Rate, 2011	Net Assd. Val.	Levy, All Gov'ts	Avg. Tax Rate	Levy, All Gov'ts	Total Tax Credits	Net Change
2.5984	-2.8%	1.2%	4.1%	4,094	-10,363	-6,269

Example: Vigo County (84)

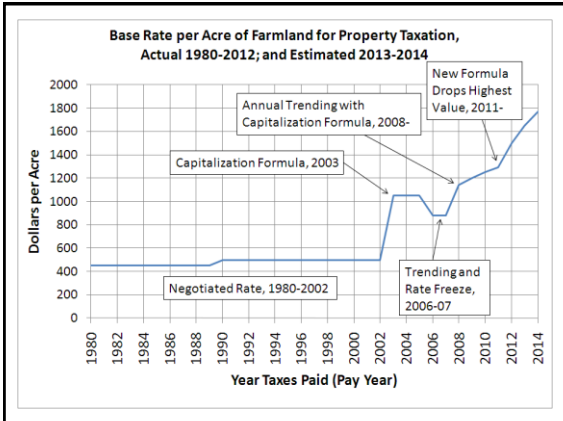
2010 Tax Cap Credits (000)	2011 Tax Cap Credits (000)	Change (000)	2010 Pct. Of Levy	2011 Pct. Of Levy	Change
15,064	13,923	-1,142	14.6%	13.9%	-0.7%

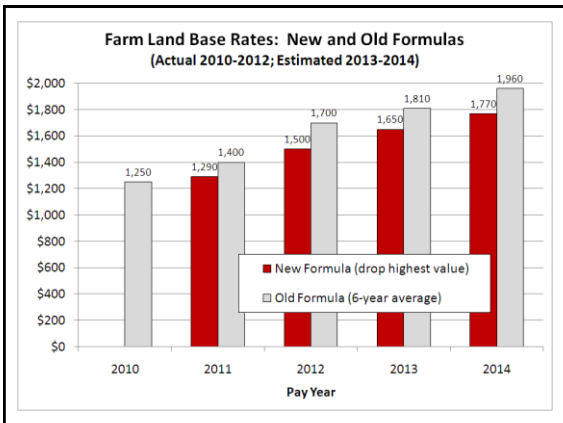
Per \$100 AV	Percent Changes, 2010-2011			Dollar Changes (000), 2010-2011		
Avg. Tax Rate, 2011	Net Assd. Val.	Levy, All Gov'ts	Avg. Tax Rate	Levy, All Gov'ts	Total Tax Credits	Net Change
2.5484	3.3%	0.4%	-2.7%	431	1,142	1,573

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FARM LAND ASSESSMENTS





Purdue Cooperative Extension Service

**Economic Growth, Farm Land
Assessments and Property Taxes**

Larry DeBoer
Purdue University
July 13, 2011
