

*Purdue Cooperative Extension Service*

## Economic Growth, Farm Land Assessments and Property Taxes

Larry DeBoer  
Purdue University  
July 13, 2011

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## ECONOMIC GROWTH IN INDIANA

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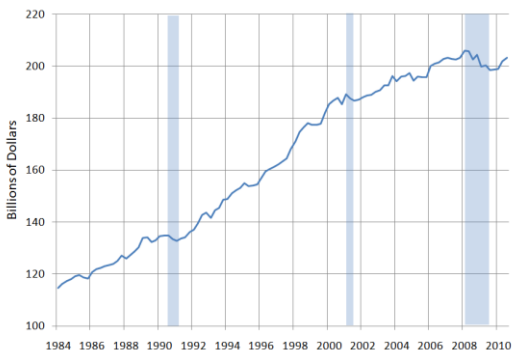
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Indiana Personal Income, Adjusted for Inflation



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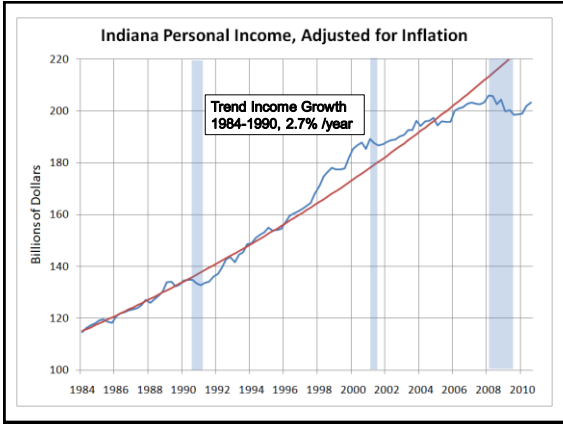
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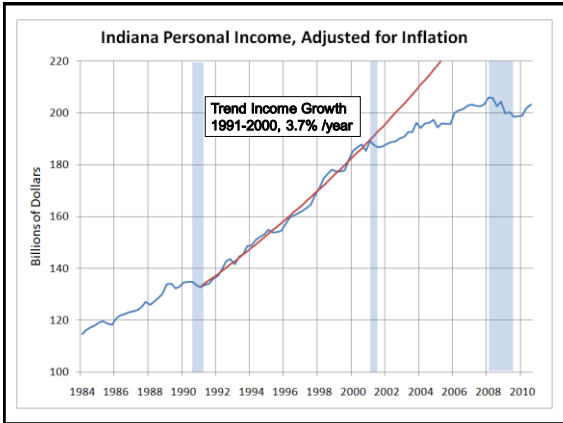
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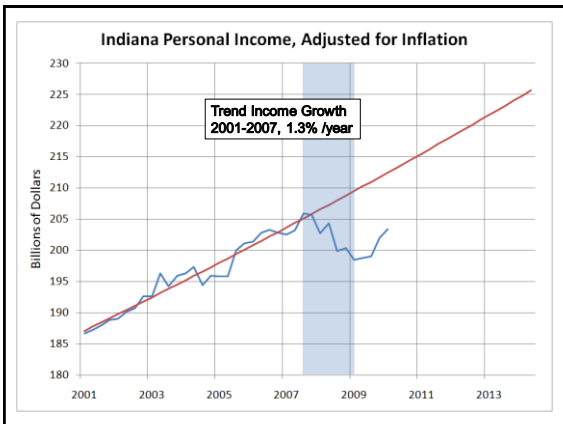
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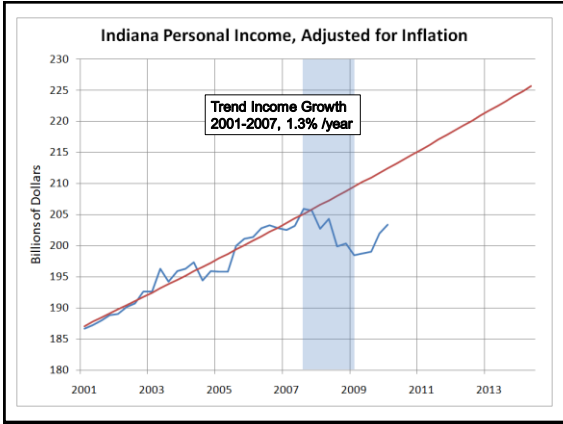
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**Comparison of Actual FY2011 Revenues to FY2010 and Forecasts**

	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%
<b>Forecast, 2012</b>				\$13,402	\$13,741
Pct. Chg. from FY11				3.5%	5.1%
<b>Forecast, 2013</b>				\$13,946	\$14,249
Pct. Chg. from FY12				4.1%	3.7%

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**INDIANA'S LOCAL INCOME TAXES**

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### 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

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### 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

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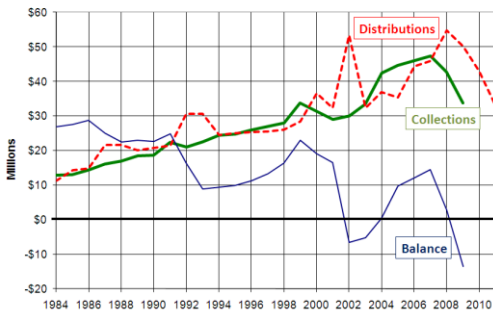
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Elkhart County CAGIT Collections, Distributions and Balances




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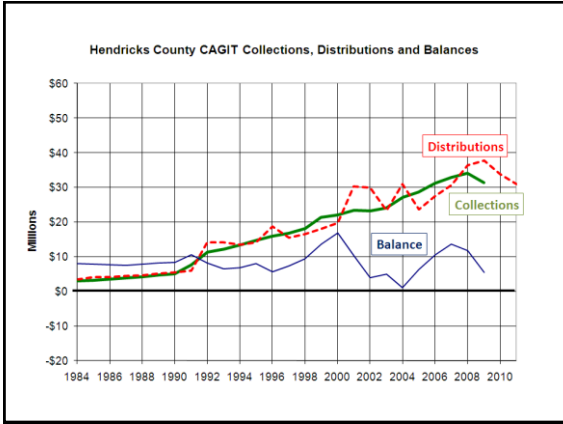
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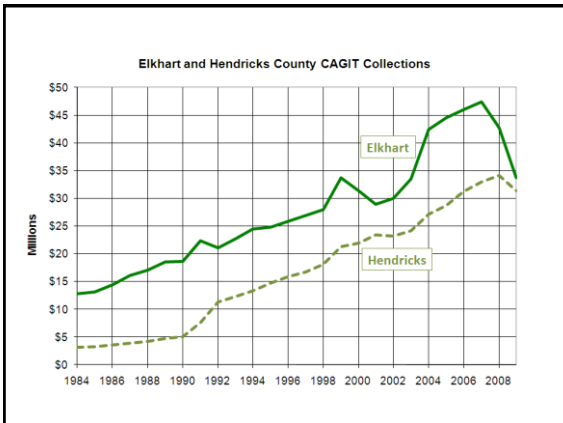
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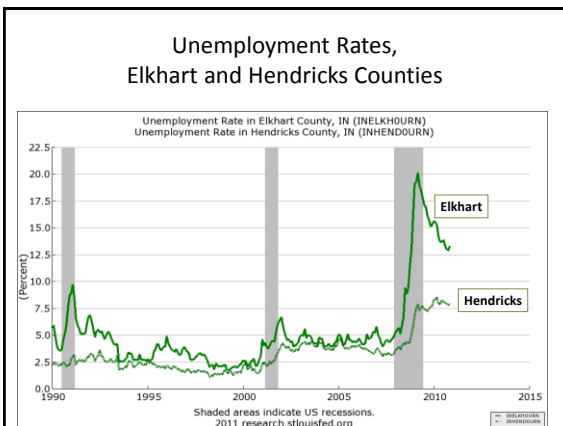
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### Average LOIT Balances as Percent of Collections, 2009

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

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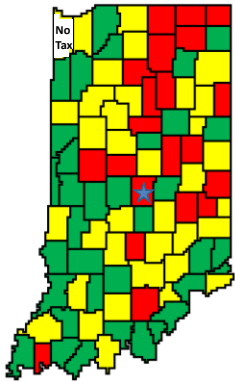
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### End-of-2009 Balances as Percent of Collections



- Less than -5%
- -5% to 5%
- More than 5%

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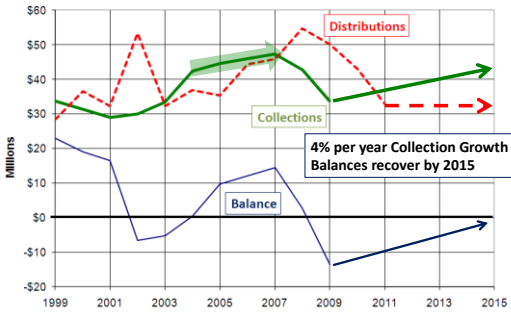
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Elkhart County CAGIT Collections, Distributions and Balances




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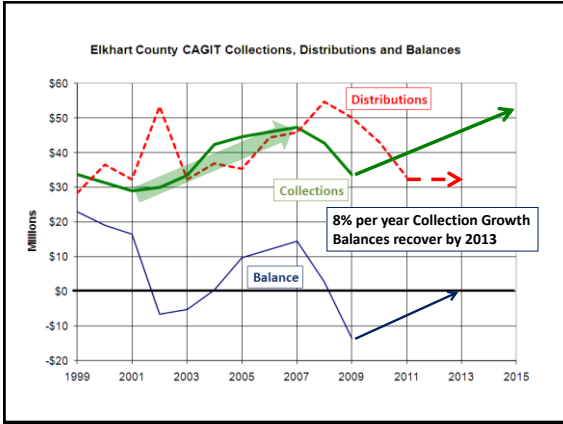
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## PROPERTY TAX AND RECESSION

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### 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%
<b>All Unemployment Changes</b>	<b>-1.5%</b>	<b>0.9%</b>	<b>2.2%</b>	<b>0.8%</b>

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## Recession, Trending and Tax Caps

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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
<b>All Tax Rate Changes</b>	<b>52</b>	<b>39</b>	<b>68</b>	<b>23</b>	<b>91</b>

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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%
<b>All Rate Changes</b>	<b>0.4%</b>	<b>1.1%</b>	<b>0.8%</b>

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### 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

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### 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

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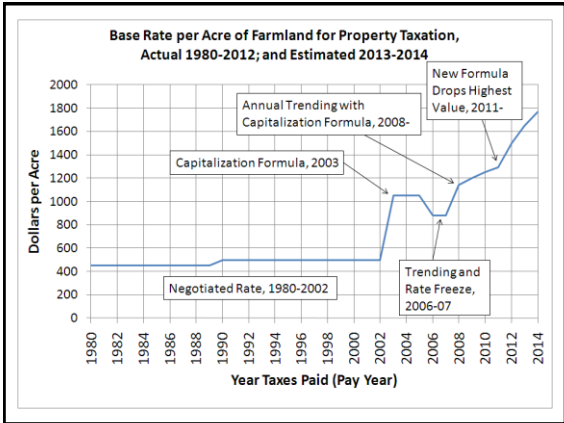
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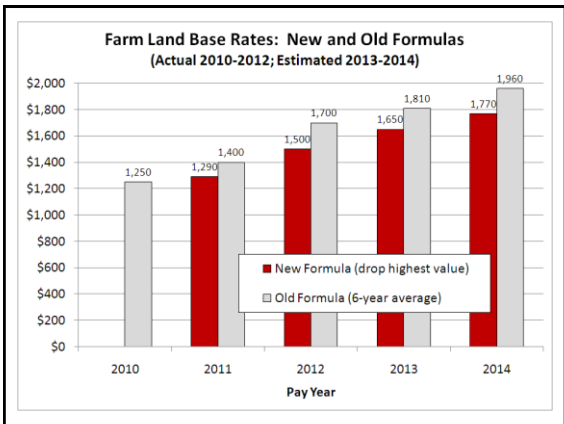
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