Here’s a whirlwind history of our property tax assessment difficulties.

It all started in 1993. Taxpayers in Lake County filed suit with the Indiana Tax Court challenging the constitutionality of our property tax assessment system. They claimed the system didn’t have much rhyme or reason. It wasn’t based on market value, for one thing. Taxable values were something other than what a property could be sold for.

The case bounced back and forth between the Indiana Tax Court and State Supreme Court for 5 years. Finally, in December 1998, the Supreme Court decided. The Tax Board’s assessment regulations were unconstitutional.

The Tax Board started working on new regulations. By November 1999 it had some. Hearings were held. None of the interest groups liked the proposed regulations. In December, Gov. Frank O’Bannon suspended work on the new regulations.

In its 2000 session, the General Assembly considered several bills revising assessment dates and regulations, but couldn’t agree on any.

Judge Fisher of the Tax Court saw both the executive and legislative branches at a standstill. He got mad. In May 2000, he ordered the Tax Board to finish the reassessment by March 1, 2002. The Tax Board went back to work. By May 2001 the regulations were done and signed by the governor, and the local assessors started reassessing the state’s 3 million parcels of taxable land and buildings.

The new regulations use market value with a twist. Market value assessment with no other changes would increase the tax bill of the average homeowner about 33 percent. The average business would see an 18 percent tax decrease. To avoid the big tax shift to homeowners, the Tax Board invented a “shelter allowance.” This is a dollar amount subtracted from the potential selling price of a house. It makes residential assessments rise less. The Tax Board also revised personal property regulations, so assessments of business equipment and inventories would increase. Both these changes reduce the tax hike for the average homeowner to about 13 percent. The tax cut for the average business is down to 8 percent.
OK, it took a while, but what’s the problem? The reassessment is underway with regulations that (might) live up to the constitution.

What’s the problem? Take your pick.

- The head of the assessors’ association says most assessors won’t finish reassessment by March 1, 2002. That means counties, cities and schools could have trouble setting tax rates and budgets for 2003.

- Business groups say they might challenge the constitutionality of the shelter allowance. That would put us back in court.

- Indiana businesses have been trying to get rid of the property tax on inventories for years. Most states don’t tax inventories. The new personal property regulations raise inventory assessments by about 50 percent.

- Indiana wants to attract new high-tech equipment investment. The new personal property regulations increase assessments of the newest equipment by 35 percent to 120 percent.

- The tax increase for the average homeowner is expected to be about 13 percent. It costs about $200 million in direct tax relief to homeowners just to bring this average increase down to zero. Some homeowners will see increases higher than 13 percent (some much higher). Tax relief for homeowners with above average increases would cost more. Needless to say, the state doesn’t have $200 million-plus just sitting around.

Maybe we’ll just let it all happen. Maybe we’ll accept the tax hikes for homeowners, live with the discouraging effects on business investment and inventories, muddle through the local budget problems or fight it out in court. More than likely, I’d guess, is that the General Assembly will debate this issue long and hard in coming months.

10-25-01

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