

The inevitable has arrived

By
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In 1792 Indiana had no clear method of determining how to tax property. The dilemma at that time was how to structure a tax system which would be reliable and consistently maintain local services rendered.

Transformation into a market based system

The basic survival of a healthy local community depends on a good administration of the property tax system. The property tax system is the most reliable method to maintain the local government services.

On December 4, 1998 the Indiana Supreme Court upheld the State Tax Court decision against the State Board of Tax Commissioners (now known as The Department of Local Government Finance) that the real property assessment manual used by the assessors to assess properties was unconstitutional. They then ordered the Legislators and Administration to craft a manual using real world values, or objective standards. This was the result of a series of events which began to unfold in 1991 in the town of St. John, Indiana, in which citizens questioned the validity of the property tax system. It was this dynamics that would eventually alter the tax structure in Indiana. It was obvious that the application of the old property tax system violated every taxpayer's constitutional rights. Article 10, section 1 (a) of the Indiana Constitution reads:

“The General Assembly should provide, by law, for a uniform and equal rate of property assessment and taxation and shall prescribe regulations to secure a just valuation for taxation of all property, both real and personal.

Has anything changed?

A specific study in Lake County conducted by Operation Ten (Tax Education Now) compares properties that pay \$0 to \$199.99, from the previous year 2001 payable 2002 and 2002 payable 2003. These figures exclude not for profit organizations.

\$0 to \$199.99 tax bill with an average tax bill of \$78

Currently, in Lake County 5,146 parcels or properties pay no taxes, representing 2% of the total parcels. 13,814 pay between \$5.00 to \$99.99, or the sum of \$525,768, an average of \$38 a year; this total represents 16% of the total parcels. 13,410 pay between \$100 to \$199.99 or a sum of \$2,013,835, an average of \$150 a year and representing 5% of the total. As a total 32,370 parcels representing 13% of the 249,648 parcels pay less than one percent of the total levy OR .5%. In contrast to the previous year, before changing to a market value, in 2001 payable 2002, 8,478 parcels or properties paid no taxes, representing 3% of the total parcels. 31,898 paid between \$5.00 to \$99.99, or the sum of \$1,554,513, an average of \$48 a year. This total represents 13% of the total parcels. 14,947 paid between \$100 to \$199.99 or a sum of \$2,170,830, an average of \$145 a year and representing 6% of the total. As a total 55,323 parcels represented 22% of the 248,602 parcels that paid less than one percent of the total levy OR .8%.

LAKE COUNTY	2001 PAY 2002	2002 PAY 2003	CHANGE
TOTAL PARCELS	248,602	249,684	1,082
TOTAL COUNTY TAXES BILLED	\$ 438,967,346	\$ 492,208,533	\$ 53,241,187
ZERO TO \$200 TAX LIABILITY			
ZERO PROPERTIES	8,478	5,146	(3,332)
PERCENT TO TOTAL PARCEL	3%	2%	
\$5.00 TO \$99.99	31,898	13,814	(18,084)
PERCENT TO TOTAL PARCEL	13%	6%	
TAXES PAID	\$ 1,554,513	\$ 525,768	(1,028,745)
AVERAGE TAX BILL	\$ 49	\$ 38	\$ (11)
\$100. TO\$199.99	14,947	13,410	(1,537)
PERCENT TO TOTAL PARCEL	6%	5%	
TAXES PAID	\$ 2,170,830	\$ 2,013,835	(156,995)
AVERAGE TAX BILL	\$ 145	\$ 150	\$ 5
TOTAL \$0 TO \$200	55,323	32,370	(22,953)
PERCENT TO TOTAL PARCEL	22%	13%	
TAXES PAID	\$ 3,725,343	\$ 2,539,603	\$ (1,185,740)
PERCENT PAID TO TOTAL LAKE COUNTY LEVY	0.8%	0.5%	
AVERAGE	\$ 67	\$ 78	\$ 11
MEDIAN	\$ 59	\$ 76	\$ 17

There is a myth about Reassessment

Reassessment has basically five components that may be revisited every four years depending on legislation. 1. Assessment of the properties(Gross Market Value), 2. Exemptions or deductions on the properties (Legislators responsibility), 3. Net Market Value, 4. The Levy or the budget and 5th The rate (which is Levy divided by the Net Market Value).

There is a difference between the assessed value and the tax bills. It is quite evident there is a myth that increasing the homestead exemption from \$3,000 to \$35,000 benefits property tax payers. For example, if the assessed value is lowered through exemptions and deductions, it is considered a benefit to the property owner. However, it shifts the burden to the higher assessed property in communities and it does nothing to recognize whether the property owner has a hardship case. The result is, property owners who are not in need of relief may receive it, while those in need may not receive enough relief.

What about the future?

Opportunities for Indiana and Lake County come in the form of challenges. The future challenges are to understand economic growth (jobs), government financing (taxes) and

government effectiveness. As the transformation of a market based system begins to unfold, understanding the four phases is of major importance. These four phases are: The implementation of the manual by the Administration (Department of Local Government Finance). Second, the transitional phase or the shifts that are occurring. Third, the legislative support by providing checks and balances (review the exemptions and abatements) Finally, the fourth, any corrections or additions to the new system of taxation must provide economic opportunities (jobs).

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