

Property Tax Payments, 2002-2003 - Lawrence County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

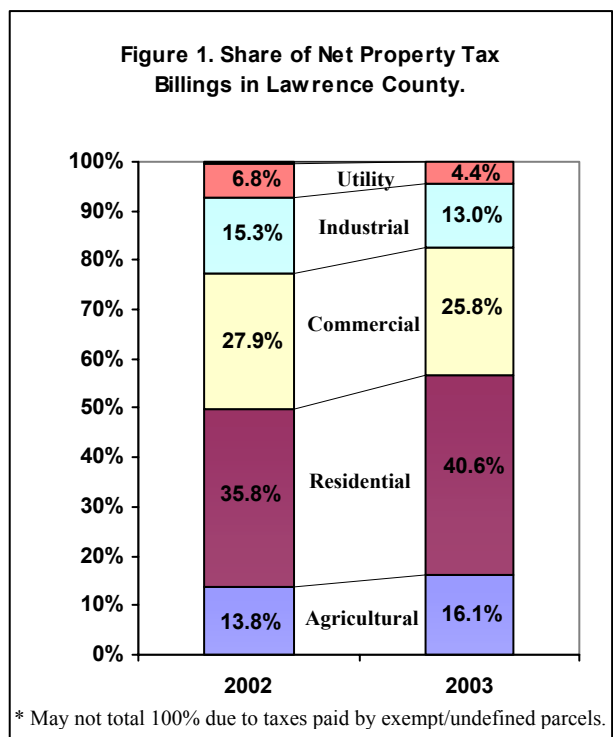
State Tax Credits Increased in Lawrence County from \$6.3 Million in 2002 to \$9.7 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Lawrence County, state tax credits

Table 1. Changes in AV and Tax Bills by Property Class for Lawrence County, 2002-2003.			
Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	112.3%	90.4%	12.6%
Residential (All)	116.7%	82.2%	9.5%
Homestead Only	116.0%	69.5%	0.0%
Commercial	36.8%	35.7%	-10.8%
Industrial	11.9%	19.0%	-18.0%
Utility	-11.4%	-11.4%	-37.7%
Avg. All Classes	75.3%	57.2%	-3.2%

increased from \$6.3 million to \$9.7 million, an increase of \$3.4 million. This paper provides a brief summary of how these factors changed property tax liabilities in Lawrence County.

Tax Shifts. Lawrence County saw a property tax shift from businesses to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of agricultural and residential property more than doubled. Commercial and industrial assessments rose much less, and utility assessments actually declined. These figures include the



effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of agricultural homesteads in Lawrence County saw their tax bills increase by a smaller amount than the average residential property increase. Tax bills of residential homesteads were almost unchanged. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Lawrence County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners saw decreases rather than increases.

	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	64.2%	44.4%	59.6%	38.5%
Decreased	35.8%	55.6%	40.4%	61.5%
Increased 100% or More	15.8%	9.2%	13.2%	8.1%
Decreased 25% or More	16.0%	25.7%	20.5%	33.1%
Average Change (\$)	\$28	-\$49	-\$7	-\$90
Average Change (%)	5.6%	-7.3%	-1.4%	-13.4%

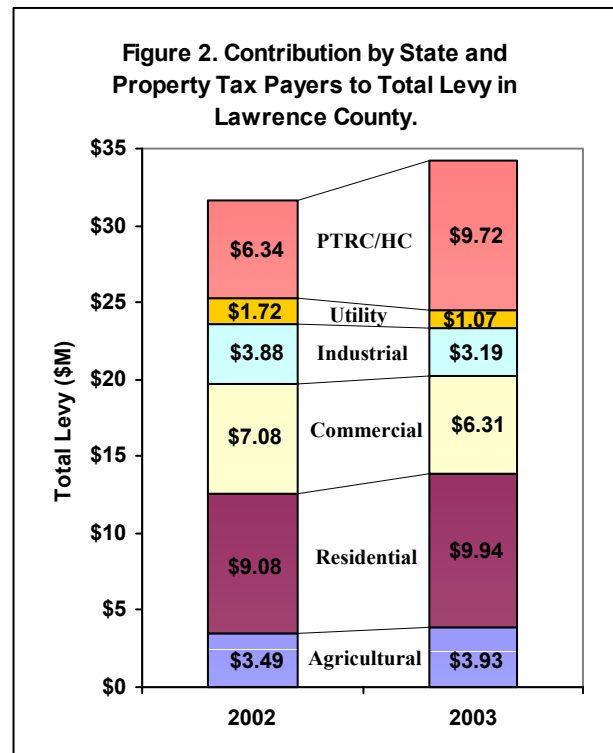
* Percentages represent the percentage of parcels affected.

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, more than half of all residential property owners would have seen tax increases, and less than half would have seen tax decreases. For homesteads, more than half would have seen tax decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of more homeowners than they increased.

Agriculture. Taxes on agricultural property in Lawrence County rose. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property more than doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Lawrence County because assessed values rose much less than residential and agricultural assessments. Business real



property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Lawrence County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Lawrence County by PTRC and state homestead credit payments increased by approximately 53%, from \$6.3 million to \$9.7 million.

Table 3 shows estimates of how Lawrence County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Lawrence County residential property taxes, on average, still increased. However, residential homestead taxes were unchanged because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was offset by the rise in the homestead deduction and higher state PTRC payments. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	35.6%	12.6%	-22.9%
Residential (All)	51.1%	9.5%	-41.6%
Homestead Only	61.6%	0.0%	-61.5%
Commercial	-15.1%	-10.8%	4.3%
Industrial	-22.8%	-18.0%	4.8%
Utility	-49.4%	-37.7%	11.7%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Lawrence County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	698,351,460	149,362,731	401,000,251	326,136,305	100,200,940	46,328,570	1,457,967
Real Deductions	110,715,899	19,099,948	87,557,621	87,557,621	3,261,742	796,588	0
Real Net Assessed Value	587,635,561	130,262,783	313,442,630	238,578,684	96,939,198	45,531,982	1,457,967
Personal Gross Assd. Value	290,440,668	8,704,030	5,493,310	0	119,545,001	102,378,167	54,320,160
Personal Deductions	49,656,570	0	4,250	0	21,587,600	28,064,720	0
Personal Net Assd. Value	240,784,098	8,704,030	5,489,060	0	97,957,401	74,313,447	54,320,160
Total Gross Assessed Value	988,792,128	158,066,761	406,493,561	326,136,305	219,745,941	148,706,737	55,778,127
Total Deductions	160,372,469	19,099,948	87,561,871	87,557,621	24,849,342	28,861,308	0
Total Net Assessed Value	828,419,659	138,966,813	318,931,690	238,578,684	194,896,599	119,845,429	55,778,127
Gross Levy	31,561,144	4,355,981	11,884,732	8,757,779	8,587,146	4,672,067	2,061,188
PTRC (Calculated)	5,263,666	667,085	1,962,619	1,437,329	1,505,863	788,561	339,533
State/County Homestead Cr. (Calculated)	1,041,027	197,956	843,071	843,071	0	0	0
Net Levy	25,256,452	3,490,940	9,079,041	6,477,378	7,081,283	3,883,506	1,721,655
Pay 2003							
Real Gross Assessed Value	1,431,132,170	326,028,328	875,391,545	704,355,617	164,479,210	62,938,033	2,249,575
Real Deductions	378,959,470	71,095,020	299,983,068	299,983,068	7,128,377	728,923	0
Real Net Assessed Value	1,052,172,700	254,933,308	575,408,477	404,372,549	157,350,833	62,209,110	2,249,575
Personal Gross Assd. Value	302,031,967	9,605,027	5,575,345	0	136,217,790	103,482,748	47,151,057
Personal Deductions	52,208,170	0	0	0	29,103,960	23,104,210	0
Personal Net Assd. Value	249,823,797	9,605,027	5,575,345	0	107,113,830	80,378,538	47,151,057
Total Gross Assessed Value	1,733,164,137	335,633,355	880,966,890	704,355,617	300,697,000	166,420,781	49,400,632
Total Deductions	431,167,640	71,095,020	299,983,068	299,983,068	36,232,337	23,833,133	0
Total Net Assessed Value	1,301,996,497	264,538,335	580,983,822	404,372,549	264,464,663	142,587,648	49,400,632
Gross Levy	34,163,036	5,756,826	15,142,667	10,361,960	8,008,475	3,981,981	1,272,638
PTRC (Calculated)	8,514,669	1,624,711	4,198,890	2,882,254	1,694,757	796,205	199,974
State/County Homestead Cr. (Calculated)	1,199,058	199,963	999,096	999,096	0	0	0
Net Levy	24,449,309	3,932,152	9,944,682	6,480,610	6,313,718	3,185,775	1,072,664

COMPARISONS

Net Levy Percent Change	-3.2%	12.6%	9.5%	0.0%	-10.8%	-18.0%	-37.7%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	104.9%	118.3%	118.3%	116.0%	64.1%	35.9%	54.3%
Gross Personal AV	4.0%	10.4%	1.5%	0.0%	13.9%	1.1%	-13.2%
Total Gross Assessed Value	75.3%	112.3%	116.7%	116.0%	36.8%	11.9%	-11.4%
Net Assessed Value	57.2%	90.4%	82.2%	69.5%	35.7%	19.0%	-11.4%
Gross Levy	8.2%	32.2%	27.4%	18.3%	-6.7%	-14.8%	-38.3%
Net Levy	-3.2%	12.6%	9.5%	0.0%	-10.8%	-18.0%	-37.7%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	5,283,424	8,527,755	3,244,331	61.4%
State Homestead Cr. (Abstract)	1,054,008	1,187,925	133,917	12.7%
Total State Credits (Abstract)	6,337,433	9,715,681	3,378,248	53.3%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Lawrence County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net Tax	Net Tax			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	3,490,940	3,932,152	441,212	12.6%	13.8%	16.1%	2.3%
Residential	9,079,041	9,944,682	865,641	9.5%	35.8%	40.6%	4.8%
Commercial	7,081,283	6,313,718	-767,565	-10.8%	27.9%	25.8%	-2.1%
Industrial	3,883,506	3,185,775	-697,731	-18.0%	15.3%	13.0%	-2.3%
Utility	1,721,655	1,072,664	-648,991	-37.7%	6.8%	4.4%	-2.4%
Exempt	102,071	43,665	-58,406	-57.2%	0.4%	0.2%	-0.2%
Undefined	26	318	292	1123.1%	0.0%	0.0%	0.0%
Total	25,358,522	24,492,974	-865,548	-3.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,261,893	3,762,043	500,150	15.3%	12.9%	15.4%	2.5%
Residential	8,919,118	9,849,302	930,184	10.4%	35.2%	40.2%	5.0%
Commercial	3,503,335	3,461,889	-41,446	-1.2%	13.8%	14.1%	0.3%
Industrial	1,542,216	1,292,132	-250,084	-16.2%	6.1%	5.3%	-0.8%
Utility	51,030	46,662	-4,368	-8.6%	0.2%	0.2%	0.0%
Exempt	102,071	43,665	-58,406	-57.2%	0.4%	0.2%	-0.2%
Undefined	26	318	292	1123.1%	0.0%	0.0%	0.0%
Total	17,379,689	18,456,011	1,076,322	6.2%	68.5%	75.4%	6.8%
Agricultural Homesteads	1,972,630	2,106,418	133,788	6.8%	7.8%	8.6%	0.8%
Residential Homesteads	6,477,378	6,480,610	3,232	0.0%	25.5%	26.5%	0.9%
Total Homesteads	8,450,008	8,587,028	137,020	1.6%	33.3%	35.1%	1.7%
Non-Homestead Residential	2,441,740	3,368,692	926,952	38.0%	9.6%	13.8%	4.1%
Apartments (Over 4 Units)	398,774	478,845	80,071	20.1%	1.6%	2.0%	0.4%
<u>Personal Property Only</u>							
Agricultural	229,047	170,110	-58,937	-25.7%	0.9%	0.7%	-0.2%
Residential	159,923	95,380	-64,543	-40.4%	0.6%	0.4%	-0.2%
Commercial	3,577,949	2,851,829	-726,120	-20.3%	14.1%	11.6%	-2.5%
Industrial	2,341,290	1,893,643	-447,647	-19.1%	9.2%	7.7%	-1.5%
Utility	1,670,625	1,026,002	-644,623	-38.6%	6.6%	4.2%	-2.4%
Total	7,978,834	6,036,964	-1,941,870	-24.3%	31.5%	24.6%	-6.8%
Total Depreciables	6,911,208	4,590,404	-2,320,804	-33.6%	27.3%	18.7%	-8.5%
Total Inventory	907,703	1,351,179	443,476	48.9%	3.6%	5.5%	1.9%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,289,263	1,655,624	366,361	28.4%	5.1%	6.8%	1.7%
Ag Personal	229,047	170,110	-58,937	-25.7%	0.9%	0.7%	-0.2%
Total Ag Business	1,518,310	1,825,734	307,424	20.2%	6.0%	7.5%	1.5%
Ag Homesteads	1,972,630	2,106,418	133,788	6.8%	7.8%	8.6%	0.8%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

** "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Lawrence County

Property Classification	2002	2003	Difference***	Change***	2002	2003	Change
	Net AV	Net AV			% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	138,966,813	264,538,335	125,571,522	90.4%	16.7%	20.3%	3.6%
Residential	318,931,690	580,983,822	262,052,132	82.2%	38.4%	44.5%	6.2%
Commercial	194,896,599	264,464,663	69,568,064	35.7%	23.4%	20.3%	-3.2%
Industrial	119,845,429	142,587,648	22,742,219	19.0%	14.4%	10.9%	-3.5%
Utility	55,778,127	49,400,632	-6,377,495	-11.4%	6.7%	3.8%	-2.9%
Exempt	2,952,300	2,340,100	-612,200	-20.7%	0.4%	0.2%	-0.2%
Undefined	1,001	21,397	20,396	2037.6%	0.0%	0.0%	0.0%
Total	831,371,959	1,304,336,597	472,964,638	56.9%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	130,262,783	254,933,308	124,670,525	95.7%	15.7%	19.5%	3.9%
Residential	313,442,630	575,408,477	261,965,847	83.6%	37.7%	44.1%	6.4%
Commercial	96,939,198	157,350,833	60,411,635	62.3%	11.7%	12.1%	0.4%
Industrial	45,531,982	62,209,110	16,677,128	36.6%	5.5%	4.8%	-0.7%
Utility	1,457,967	2,249,575	791,608	54.3%	0.2%	0.2%	0.0%
Exempt	2,952,300	2,340,100	-612,200	-20.7%	0.4%	0.2%	-0.2%
Undefined	1,001	21,397	20,396	2037.6%	0.0%	0.0%	0.0%
Total	590,587,861	1,054,512,800	463,924,939	78.6%	71.0%	80.8%	9.8%
Agricultural Homesteads	81,662,117	148,090,236	66,428,119	81.3%	9.8%	11.4%	1.5%
Residential Homesteads	238,578,684	404,372,549	165,793,865	69.5%	28.7%	31.0%	2.3%
Total Homesteads	320,240,801	552,462,785	232,221,984	72.5%	38.5%	42.4%	3.8%
Non-Homestead Residential	74,863,946	171,035,928	96,171,982	128.5%	9.0%	13.1%	4.1%
Apartments (Over 4 Units)	10,964,192	21,546,096	10,581,904	96.5%	1.3%	1.7%	0.3%
<u>Personal Property Only</u>							
Agricultural	8,704,030	9,605,027	900,997	10.4%	1.0%	0.7%	-0.3%
Residential	5,489,060	5,575,345	86,285	1.6%	0.7%	0.4%	-0.2%
Commercial	97,957,401	107,113,830	9,156,429	9.3%	11.8%	8.2%	-3.6%
Industrial	74,313,447	80,378,538	6,065,091	8.2%	8.9%	6.2%	-2.8%
Utility	54,320,160	47,151,057	-7,169,103	-13.2%	6.5%	3.6%	-2.9%
Total	240,784,098	249,823,797	9,039,699	3.8%	29.0%	19.2%	-9.8%
Total Depreciables	206,658,704	188,609,042	-18,049,662	-8.7%	24.9%	14.5%	-10.4%
Total Inventory	28,636,334	55,639,410	27,003,076	94.3%	3.4%	4.3%	0.8%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	48,600,666	106,843,072	58,242,406	119.8%	5.8%	8.2%	2.3%
Ag Personal	8,704,030	9,605,027	900,997	10.4%	1.0%	0.7%	-0.3%
Total Ag Business	57,304,696	116,448,099	59,143,403	103.2%	6.9%	8.9%	2.0%
Ag Homesteads	81,662,117	148,090,236	66,428,119	81.3%	9.8%	11.4%	1.5%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

** "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Lawrence County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2002 to 2003	Change in Net AV 2002 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	117%	81%	9%	2%
Comparable Residential Real Prop.	111%	75%	6%	-1%
Comparable Homesteads	108%	58%	-7%	-13%

Distribution of Net Tax Changes on Comparable Residential Property

% Change	2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over 300%	718	4.1%	273	2.7%	638	3.6%	224	2.3%
200% to 300%	447	2.5%	171	1.7%	392	2.2%	169	1.7%
100% to 200%	1,618	9.2%	476	4.8%	1,304	7.4%	405	4.1%
50% to 100%	2,852	16.1%	698	7.0%	2,613	14.8%	605	6.1%
25% to 50%	2,187	12.4%	818	8.2%	1,996	11.3%	657	6.6%
10% to 25%	1,835	10.4%	830	8.4%	1,790	10.1%	730	7.3%
5% to 10%	554	3.1%	389	3.9%	688	3.9%	309	3.1%
0 to 5%	1,139	6.4%	761	7.7%	1,118	6.3%	725	7.3%
0 to -5%	633	3.6%	497	5.0%	615	3.5%	420	4.2%
-5% to -10%	681	3.9%	532	5.4%	656	3.7%	509	5.1%
-10% to -25%	2,182	12.3%	1,942	19.5%	2,238	12.7%	1,896	19.1%
-25% to -50%	2,385	13.5%	2,223	22.4%	3,037	17.2%	2,828	28.5%
Below -50%	443	2.5%	329	3.3%	589	3.3%	462	4.6%
	17,674	100.0%	9,939	100.0%	17,674	100.0%	9,939	100.0%
Parcels With Increases	11,350	64.2%	4,416	44.4%	10,539	59.6%	3,824	38.5%
Parcels With Reductions	6,324	35.8%	5,523	55.6%	7,135	40.4%	6,115	61.5%
Average \$ Change		\$28		-\$49		-\$7		-\$90
Average % Change		5.6%		-7.3%		-1.4%		-13.4%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2002 and 2003 County Parcel Tax Data - County Auditor and County Assessor
Prepared by Legislative Services Agency, June 2005.