

Property Tax Payments, 2002-2003 - Marshall 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.

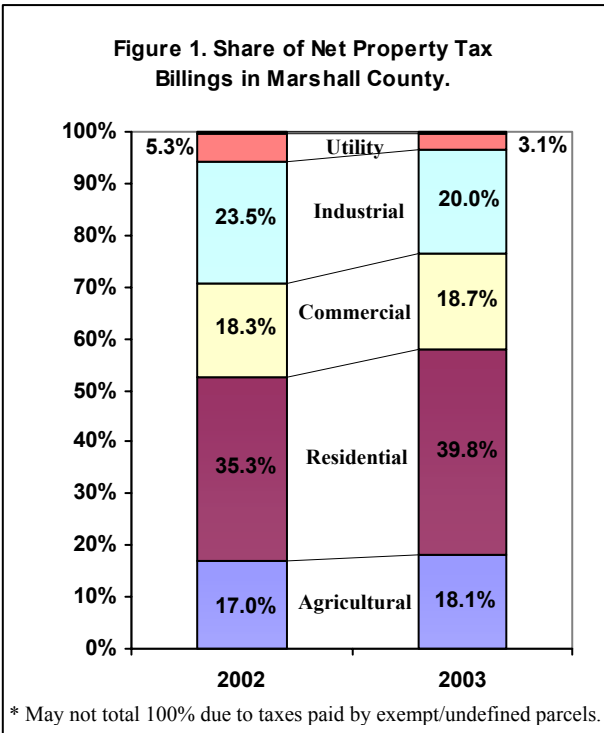
State Tax Credits Increased in Marshall County from \$8.1 Million in 2002 to \$13.5 Million in 2003.

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 Marshall County, state tax credits

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	96.0%	81.8%	3.0%
Residential (All)	120.7%	94.4%	9.3%
Homestead Only	108.6%	65.7%	-5.3%
Commercial	55.3%	59.5%	-1.0%
Industrial	26.2%	22.2%	-17.6%
Utility	-13.3%	-13.3%	-43.6%
Avg. All Classes	80.1%	66.2%	-2.8%

increased from \$8.1 million to \$13.5 million, an increase of \$5.4 million. This paper provides a brief summary of how these factors changed property tax liabilities in Marshall County.

Tax Shifts. Marshall County saw a property tax shift from industrial and utility property owners to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by 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.] Commercial taxes decreased slightly. 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 property doubled, 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 residential homesteads in Marshall County saw their tax bills decrease. Taxes on agricultural homesteads rose less than taxes on the average residential property. 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 Marshall County, more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, about two-thirds of homestead owners saw decreases rather than increases.

	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	52.6%	32.3%	46.1%	25.4%
Decreased	47.4%	67.7%	53.9%	74.6%
Increased 100% or More	12.5%	3.3%	10.3%	2.6%
Decreased 25% or More	22.4%	32.2%	28.2%	41.0%
Average Change (\$)	\$66	-\$77	\$5	-\$128
Average Change (%)	11.6%	-10.3%	0.8%	-17.0%

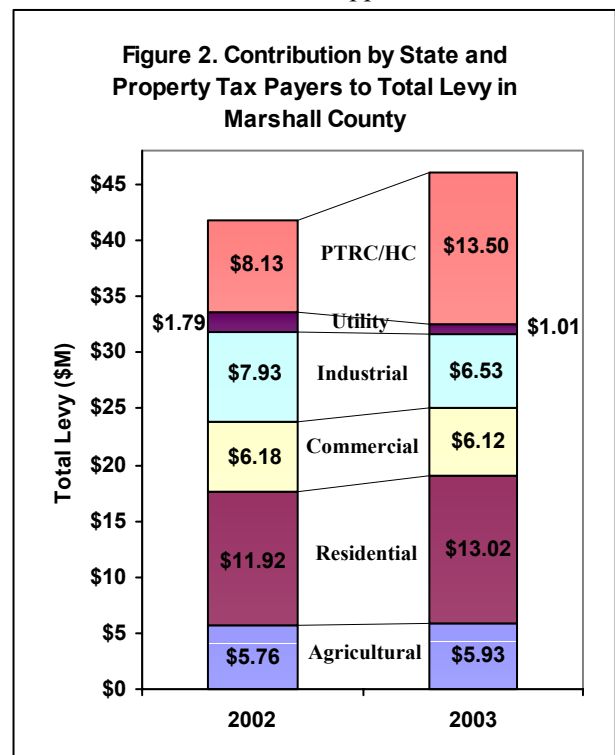
* Percentages represent the percentage of parcels affected.

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, less than half of all residential property owners would have seen tax increases, and more than half would have seen tax decreases. For homesteads, about a quarter would have seen increases and three-quarters would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Marshall County rose slightly. Overall, agricultural homestead taxes and agricultural business taxes increased by similar amounts. The net assessed value on non-homestead agricultural real property almost 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 small amount.

Business. Taxes on business property fell in Marshall 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 Marshall 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 Marshall County by PTRC and state homestead credit payments increased by approximately 66%, from \$8.1 million to \$13.5 million.

Table 3 shows estimates of how Marshall 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. Marshall County residential property taxes still increased. However, homestead property taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial property. 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	23.9%	3.0%	-21.0%
Residential (All)	48.4%	9.3%	-39.2%
Homestead Only	53.7%	-5.3%	-59.0%
Commercial	2.3%	-1.0%	-3.3%
Industrial	-17.5%	-17.6%	0.0%
Utility	-48.9%	-43.6%	5.3%

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.

Marshall 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	1,125,273,329	270,992,426	588,483,585	419,998,406	140,482,457	120,396,413	4,918,448
Real Deductions	109,922,060	17,750,902	77,887,026	77,887,026	713,164	13,567,764	3,204
Real Net Assessed Value	1,015,351,269	253,241,524	510,596,559	342,111,380	139,769,293	106,828,649	4,915,244
Personal Gross Assd. Value	393,473,929	26,263,980	11,696,470	0	101,366,736	186,575,103	67,571,640
Personal Deductions	44,307,070	0	4,030	0	24,397,830	19,905,210	0
Personal Net Assd. Value	349,166,859	26,263,980	11,692,440	0	76,968,906	166,669,893	67,571,640
Total Gross Assessed Value	1,518,747,258	297,256,406	600,180,055	419,998,406	241,849,193	306,971,516	72,490,088
Total Deductions	154,229,130	17,750,902	77,891,056	77,887,026	25,110,994	33,472,974	3,204
Total Net Assessed Value	1,364,518,128	279,505,504	522,288,999	342,111,380	216,738,199	273,498,542	72,486,884
Gross Levy	41,715,253	7,032,667	15,441,223	10,080,848	7,480,716	9,616,768	2,143,879
PTRC (Calculated)	6,983,539	1,085,214	2,557,042	1,672,158	1,298,068	1,690,992	352,223
State/County Homestead Cr. (Calculated)	1,157,230	192,247	964,982	964,982	0	0	0
Net Levy	33,574,485	5,755,206	11,919,199	7,443,707	6,182,648	7,925,776	1,791,656
Pay 2003							
Real Gross Assessed Value	2,322,046,348	554,202,886	1,312,726,169	876,309,012	253,655,441	191,853,522	7,694,085
Real Deductions	408,962,270	74,676,642	309,371,385	309,371,385	1,640,224	22,785,349	2,994
Real Net Assessed Value	1,913,084,078	479,526,244	1,003,354,784	566,937,627	252,015,217	169,068,173	7,691,091
Personal Gross Assd. Value	412,841,700	28,556,020	11,746,290	0	121,925,035	195,476,565	55,137,790
Personal Deductions	58,512,815	0	8,120	0	28,208,930	30,295,765	0
Personal Net Assd. Value	354,328,885	28,556,020	11,738,170	0	93,716,105	165,180,800	55,137,790
Total Gross Assessed Value	2,734,888,048	582,758,906	1,324,472,459	876,309,012	375,580,477	387,330,086	62,831,875
Total Deductions	467,475,085	74,676,642	309,379,505	309,371,385	29,849,154	53,081,114	2,994
Total Net Assessed Value	2,267,412,963	508,082,264	1,015,092,954	566,937,627	345,731,323	334,248,972	62,828,881
Gross Levy	46,350,989	8,738,615	19,824,371	11,464,177	8,147,110	8,359,626	1,255,091
PTRC (Calculated)	12,483,841	2,610,459	5,768,825	3,383,474	2,025,629	1,826,119	245,075
State/County Homestead Cr. (Calculated)	1,234,353	202,197	1,032,156	1,032,156	0	0	0
Net Levy	32,632,796	5,925,959	13,023,390	7,048,547	6,121,482	6,533,507	1,010,016
COMPARISONS							
Net Levy Percent Change	-2.8%	3.0%	9.3%	-5.3%	-1.0%	-17.6%	-43.6%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	106.4%	104.5%	123.1%	108.6%	80.6%	59.4%	56.4%
Gross Personal AV	4.9%	8.7%	0.4%	0.0%	20.3%	4.8%	-18.4%
Total Gross Assessed Value	80.1%	96.0%	120.7%	108.6%	55.3%	26.2%	-13.3%
Net Assessed Value	66.2%	81.8%	94.4%	65.7%	59.5%	22.2%	-13.3%
Gross Levy	11.1%	24.3%	28.4%	13.7%	8.9%	-13.1%	-41.5%
Net Levy	-2.8%	3.0%	9.3%	-5.3%	-1.0%	-17.6%	-43.6%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	6,920,056	12,231,552	5,311,496	76.8%			
State Homestead Cr. (Abstract)	1,212,465	1,268,809	56,344	4.6%			
Total State Credits (Abstract)	8,132,522	13,500,361	5,367,840	66.0%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Marshall 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	5,755,206	5,925,959	170,753	3.0%	17.0%	18.1%	1.1%
Residential	11,919,199	13,023,390	1,104,191	9.3%	35.3%	39.8%	4.5%
Commercial	6,182,648	6,121,482	-61,166	-1.0%	18.3%	18.7%	0.4%
Industrial	7,925,776	6,533,507	-1,392,269	-17.6%	23.5%	20.0%	-3.5%
Utility	1,791,656	1,010,016	-781,640	-43.6%	5.3%	3.1%	-2.2%
Exempt	182,334	73,011	-109,323	-60.0%	0.5%	0.2%	-0.3%
Undefined	0	18,442	18,442		0.0%	0.1%	0.1%
Total	33,756,819	32,705,807	-1,051,012	-3.1%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	5,206,916	5,531,620	324,704	6.2%	15.4%	16.9%	1.5%
Residential	11,653,860	12,874,371	1,220,511	10.5%	34.5%	39.4%	4.8%
Commercial	4,031,830	4,272,476	240,646	6.0%	11.9%	13.1%	1.1%
Industrial	3,105,228	3,044,319	-60,909	-2.0%	9.2%	9.3%	0.1%
Utility	140,980	128,167	-12,813	-9.1%	0.4%	0.4%	0.0%
Exempt	182,334	73,011	-109,323	-60.0%	0.5%	0.2%	-0.3%
Undefined	0	18,442	18,442		0.0%	0.1%	0.1%
Total	24,321,148	25,942,406	1,621,258	6.7%	72.0%	79.3%	7.3%
Agricultural Homesteads	2,529,633	2,606,616	76,983	3.0%	7.5%	8.0%	0.5%
Residential Homesteads	7,443,707	7,048,547	-395,160	-5.3%	22.1%	21.6%	-0.5%
Total Homesteads	9,973,340	9,655,163	-318,177	-3.2%	29.5%	29.5%	0.0%
Non-Homestead Residential	4,210,153	5,825,824	1,615,671	38.4%	12.5%	17.8%	5.3%
Apartments (Over 4 Units)	632,155	779,737	147,582	23.3%	1.9%	2.4%	0.5%
<u>Personal Property Only</u>							
Agricultural	548,290	394,339	-153,951	-28.1%	1.6%	1.2%	-0.4%
Residential	265,339	149,019	-116,320	-43.8%	0.8%	0.5%	-0.3%
Commercial	2,150,818	1,849,005	-301,813	-14.0%	6.4%	5.7%	-0.7%
Industrial	4,820,548	3,489,187	-1,331,361	-27.6%	14.3%	10.7%	-3.6%
Utility	1,650,676	881,849	-768,827	-46.6%	4.9%	2.7%	-2.2%
Total	9,435,671	6,763,399	-2,672,272	-28.3%	28.0%	20.7%	-7.3%
Total Depreciables	6,291,741	4,299,567	-1,992,174	-31.7%	18.6%	13.1%	-5.5%
Total Inventory	2,878,591	2,314,814	-563,777	-19.6%	8.5%	7.1%	-1.4%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,677,284	2,925,004	247,720	9.3%	7.9%	8.9%	1.0%
Ag Personal	548,290	394,339	-153,951	-28.1%	1.6%	1.2%	-0.4%
Total Ag Business	3,225,574	3,319,343	93,769	2.9%	9.6%	10.1%	0.6%
Ag Homesteads	2,529,633	2,606,616	76,983	3.0%	7.5%	8.0%	0.5%

* "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**
Marshall 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	279,505,504	508,082,264	228,576,760	81.8%	20.4%	22.4%	2.0%
Residential	522,288,999	1,015,092,954	492,803,955	94.4%	38.1%	44.7%	6.6%
Commercial	216,738,199	345,731,323	128,993,124	59.5%	15.8%	15.2%	-0.6%
Industrial	273,498,542	334,248,972	60,750,430	22.2%	19.9%	14.7%	-5.2%
Utility	72,486,884	62,828,881	-9,658,003	-13.3%	5.3%	2.8%	-2.5%
Exempt	7,224,066	4,492,433	-2,731,633	-37.8%	0.5%	0.2%	-0.3%
Undefined	0	1,428,569	1,428,569		0.0%	0.1%	0.1%
Total	1,371,742,194	2,271,905,396	900,163,202	65.6%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	253,241,524	479,526,244	226,284,720	89.4%	18.5%	21.1%	2.6%
Residential	510,596,559	1,003,354,784	492,758,225	96.5%	37.2%	44.2%	6.9%
Commercial	139,769,293	252,015,217	112,245,924	80.3%	10.2%	11.1%	0.9%
Industrial	106,828,649	169,068,173	62,239,524	58.3%	7.8%	7.4%	-0.3%
Utility	4,915,244	7,691,091	2,775,847	56.5%	0.4%	0.3%	0.0%
Exempt	7,224,066	4,492,433	-2,731,633	-37.8%	0.5%	0.2%	-0.3%
Undefined	0	1,428,569	1,428,569		0.0%	0.1%	0.1%
Total	1,022,575,335	1,917,576,511	895,001,176	87.5%	74.5%	84.4%	9.9%
Agricultural Homesteads	126,678,544	234,654,723	107,976,179	85.2%	9.2%	10.3%	1.1%
Residential Homesteads	342,111,380	566,937,627	224,826,247	65.7%	24.9%	25.0%	0.0%
Total Homesteads	468,789,924	801,592,350	332,802,426	71.0%	34.2%	35.3%	1.1%
Non-Homestead Residential	168,485,179	436,417,157	267,931,978	159.0%	12.3%	19.2%	6.9%
Apartments (Over 4 Units)	21,170,755	42,416,789	21,246,034	100.4%	1.5%	1.9%	0.3%
<u>Personal Property Only</u>							
Agricultural	26,263,980	28,556,020	2,292,040	8.7%	1.9%	1.3%	-0.7%
Residential	11,692,440	11,738,170	45,730	0.4%	0.9%	0.5%	-0.3%
Commercial	76,968,906	93,716,105	16,747,199	21.8%	5.6%	4.1%	-1.5%
Industrial	166,669,893	165,180,800	-1,489,093	-0.9%	12.2%	7.3%	-4.9%
Utility	67,571,640	55,137,790	-12,433,850	-18.4%	4.9%	2.4%	-2.5%
Total	349,166,859	354,328,885	5,162,026	1.5%	25.5%	15.6%	-9.9%
Total Depreciables	234,441,292	226,374,879	-8,066,413	-3.4%	17.1%	10.0%	-7.1%
Total Inventory	103,033,127	116,215,836	13,182,709	12.8%	7.5%	5.1%	-2.4%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	126,562,980	244,871,521	118,308,541	93.5%	9.2%	10.8%	1.6%
Ag Personal	26,263,980	28,556,020	2,292,040	8.7%	1.9%	1.3%	-0.7%
Total Ag Business	152,826,960	273,427,541	120,600,581	78.9%	11.1%	12.0%	0.9%
Ag Homesteads	126,678,544	234,654,723	107,976,179	85.2%	9.2%	10.3%	1.1%

* "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.

**Marshall County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 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	136%	108%	17%	6%
Comparable Residential Real Prop.	126%	98%	12%	1%
Comparable Homesteads	105%	59%	-10%	-17%

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%	636	3.3%	62	0.6%	505	2.6%	51	0.5%
200% to 300%	508	2.6%	59	0.6%	396	2.1%	50	0.5%
100% to 200%	1,273	6.6%	208	2.1%	1,070	5.6%	157	1.6%
50% to 100%	2,075	10.8%	422	4.2%	1,743	9.1%	307	3.1%
25% to 50%	2,007	10.4%	674	6.8%	1,917	10.0%	521	5.2%
10% to 25%	1,700	8.8%	843	8.5%	1,459	7.6%	649	6.5%
5% to 10%	730	3.8%	410	4.1%	640	3.3%	308	3.1%
0 to 5%	1,185	6.2%	535	5.4%	1,136	5.9%	481	4.8%
0 to -5%	827	4.3%	556	5.6%	819	4.3%	482	4.9%
-5% to -10%	946	4.9%	641	6.5%	879	4.6%	519	5.2%
-10% to -25%	3,033	15.8%	2,327	23.4%	3,244	16.9%	2,341	23.6%
-25% to -50%	3,658	19.0%	2,706	27.2%	4,486	23.3%	3,338	33.6%
Below -50%	663	3.4%	492	5.0%	947	4.9%	731	7.4%
	19,241	100.0%	9,935	100.0%	19,241	100.0%	9,935	100.0%
Parcels With Increases	10,114	52.6%	3,213	32.3%	8,866	46.1%	2,524	25.4%
Parcels With Reductions	9,127	47.4%	6,722	67.7%	10,375	53.9%	7,411	74.6%
Average \$ Change		\$66		-\$77		\$5		-\$128
Average % Change		11.6%		-10.3%		0.8%		-17.0%

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

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.