

Property Tax Payments, 2002-2003 - Perry County -

Indiana Legislative Services Agency

June 2005

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.

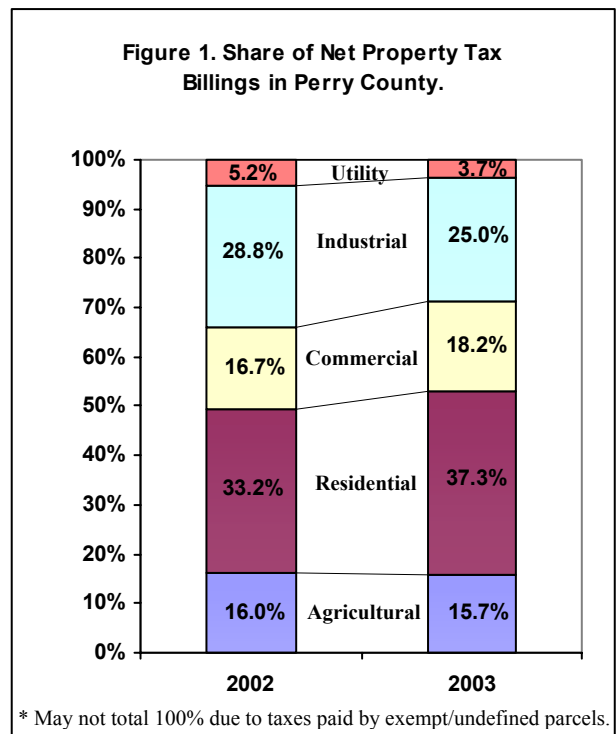
State Tax Credits Increased in Perry County from \$2.3 Million in 2002 to \$4.3 Million in 2003.

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 Perry County, state tax credits increased

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	77.1%	60.5%	-6.2%
Residential (All)	87.9%	53.5%	7.6%
Homestead Only	84.6%	38.6%	-3.1%
Commercial	39.0%	38.8%	4.5%
Industrial	18.7%	12.9%	-16.9%
Utility	-5.9%	-5.9%	-32.2%
Avg. All Classes	56.9%	37.7%	-4.3%

from \$2.3 million to \$4.3 million, an increase of \$2.0 million. This paper provides a brief summary of how these factors changed property tax liabilities in Perry County.

Tax Shifts. Perry County saw a property tax shift from agricultural, industrial, and utility property owners to residential and commercial property owners. Tax bills paid by residential and commercial property owners increased, while tax bills paid by agricultural, 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 net assessed values (AV) of residential and commercial property increased more than the net assessed value of industrial property, while utility property net AV decreased. Net assessed values of residential property increased by half, and commercial net AV rose by a third. Agricultural assessments also rose substantially, but this property was located in taxing districts that saw bigger reductions in tax rates. 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 and agricultural homesteads in Perry County saw their tax bills decrease, while the average residential property increased. 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 by a large amount while tax bills on homestead property decreased. 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 Perry County, 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.

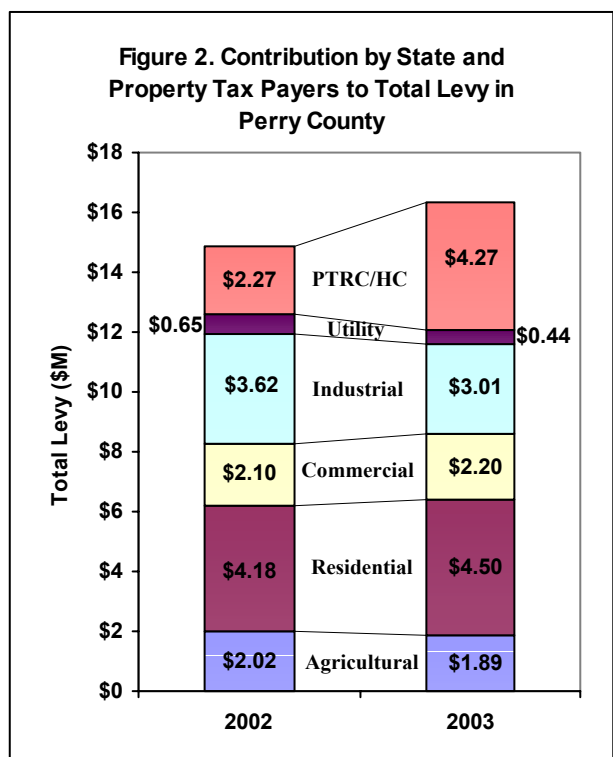
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	58.3%	41.0%	51.8%	31.7%
Decreased	41.7%	59.0%	48.2%	68.3%
Increased 100% or More	13.8%	6.4%	12.2%	5.8%
Decreased 25% or More	16.2%	25.0%	20.2%	31.7%
Average Change (\$)	\$33	-\$39	-\$5	-\$90
Average Change (%)	6.7%	-5.4%	-1.0%	-12.3%

* 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, about half of all residential property owners would have seen tax increases, and half would have seen tax decreases. However, more than two-thirds of all homesteads would have had tax decreases with no levy change. Apart from levy increases, reassessment and restructuring reduced the taxes of more homeowners than they increased.

Agriculture. Taxes on agricultural property in Perry County fell slightly. Overall, agricultural business taxes rose, while agricultural homestead taxes fell. 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 small amount.



Business. Taxes on industrial and utility property fell in Perry 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 Perry County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like industry and utilities.

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 Perry County by PTRC and state homestead credit payments increased by approximately 88%, from \$2.3 million to \$4.3 million.

Table 3 shows estimates of how Perry County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have been particularly large, and taxes for agricultural property owners would have increased. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Perry 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 offset by the rise in the homestead deduction and higher state PTRC payments. The elimination of PTRC for personal property was responsible for increasing taxes on commercial property and reducing the tax cuts received by industrial and utility 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	9.0%	-6.2%	-15.3%
Residential (All)	46.2%	7.6%	-38.7%
Homestead Only	51.9%	-3.1%	-54.9%
Commercial	0.8%	4.5%	3.7%
Industrial	-19.1%	-16.9%	2.2%
Utility	-42.4%	-32.2%	10.2%

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.

Perry 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	371,562,762	80,096,165	197,040,920	161,104,559	47,419,899	46,977,493	28,286
Real Deductions	46,720,126	8,061,851	38,397,916	38,397,916	244,324	16,035	0
Real Net Assessed Value	324,842,636	72,034,314	158,643,004	122,706,643	47,175,575	46,961,458	28,286
Personal Gross Assd. Value	141,105,217	5,814,330	2,033,910	0	20,734,450	89,029,057	23,493,470
Personal Deductions	1,068,600	0	20,930	0	444,210	603,460	0
Personal Net Assd. Value	140,036,617	5,814,330	2,012,980	0	20,290,240	88,425,597	23,493,470
Total Gross Assessed Value	512,667,979	85,910,495	199,074,830	161,104,559	68,154,349	136,006,550	23,521,756
Total Deductions	47,788,726	8,061,851	38,418,846	38,397,916	688,534	619,495	0
Total Net Assessed Value	464,879,253	77,848,644	160,655,984	122,706,643	67,465,815	135,387,055	23,521,756
Gross Levy	15,322,251	2,468,306	5,479,944	4,183,877	2,443,645	4,174,591	755,764
PTRC (Calculated)	2,073,708	330,363	749,871	571,139	339,861	552,298	101,314
State/County Homestead Cr. (Calculated)	665,250	119,300	545,950	545,950	0	0	0
Net Levy	12,583,293	2,018,643	4,184,122	3,066,788	2,103,785	3,622,293	654,450
Pay 2003							
Real Gross Assessed Value	639,699,350	146,002,232	372,104,973	297,458,342	69,054,798	52,500,104	37,243
Real Deductions	155,906,743	27,191,640	127,432,738	127,432,738	601,074	681,291	0
Real Net Assessed Value	483,792,607	118,810,592	244,672,235	170,025,604	68,453,724	51,818,813	37,243
Personal Gross Assd. Value	164,836,000	6,139,110	2,001,070	0	25,670,938	108,926,822	22,098,060
Personal Deductions	8,426,850	0	3,230	0	515,000	7,908,620	0
Personal Net Assd. Value	156,409,150	6,139,110	1,997,840	0	25,155,938	101,018,202	22,098,060
Total Gross Assessed Value	804,535,350	152,141,342	374,106,043	297,458,342	94,725,736	161,426,926	22,135,303
Total Deductions	164,333,593	27,191,640	127,435,968	127,432,738	1,116,074	8,589,911	0
Total Net Assessed Value	640,201,757	124,949,702	246,670,075	170,025,604	93,609,662	152,837,015	22,135,303
Gross Levy	16,998,152	2,757,872	6,861,603	4,733,473	2,906,416	3,929,879	542,383
PTRC (Calculated)	4,435,787	785,298	1,925,337	1,324,712	707,574	919,073	98,506
State/County Homestead Cr. (Calculated)	515,463	79,883	435,580	435,580	0	0	0
Net Levy	12,046,902	1,892,691	4,500,687	2,973,181	2,198,841	3,010,806	443,877

COMPARISONS

Net Levy Percent Change	-4.3%	-6.2%	7.6%	-3.1%	4.5%	-16.9%	-32.2%
--------------------------------	--------------	--------------	-------------	--------------	-------------	---------------	---------------

Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	72.2%	82.3%	88.8%	84.6%	45.6%	11.8%	31.7%
Gross Personal AV	16.8%	5.6%	-1.6%	0.0%	23.8%	22.3%	-5.9%
Total Gross Assessed Value	56.9%	77.1%	87.9%	84.6%	39.0%	18.7%	-5.9%
Net Assessed Value	37.7%	60.5%	53.5%	38.6%	38.8%	12.9%	-5.9%
Gross Levy	10.9%	11.7%	25.2%	13.1%	18.9%	-5.9%	-28.2%
Net Levy	-4.3%	-6.2%	7.6%	-3.1%	4.5%	-16.9%	-32.2%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	1,793,476	3,849,743	2,056,267	114.7%
State Homestead Cr. (Abstract)	478,518	423,576	-54,942	-11.5%
Total State Credits (Abstract)	2,271,994	4,273,319	2,001,325	88.1%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Perry 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	2,018,643	1,892,691	-125,952	-6.2%	16.0%	15.7%	-0.3%
Residential	4,184,122	4,500,687	316,565	7.6%	33.2%	37.3%	4.1%
Commercial	2,103,785	2,198,841	95,056	4.5%	16.7%	18.2%	1.5%
Industrial	3,622,293	3,010,806	-611,487	-16.9%	28.8%	25.0%	-3.8%
Utility	654,450	443,877	-210,573	-32.2%	5.2%	3.7%	-1.5%
Exempt	10,862	6,816	-4,046	-37.2%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	12,594,155	12,053,718	-540,437	-4.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	1,857,932	1,783,871	-74,061	-4.0%	14.8%	14.8%	0.0%
Residential	4,125,874	4,463,847	337,973	8.2%	32.8%	37.0%	4.3%
Commercial	1,469,001	1,540,506	71,505	4.9%	11.7%	12.8%	1.1%
Industrial	1,297,558	989,491	-308,067	-23.7%	10.3%	8.2%	-2.1%
Utility	775	577	-198	-25.5%	0.0%	0.0%	0.0%
Exempt	10,862	6,816	-4,046	-37.2%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	8,762,002	8,785,108	23,106	0.3%	69.6%	72.9%	3.3%
Agricultural Homesteads	1,025,698	832,036	-193,662	-18.9%	8.1%	6.9%	-1.2%
Residential Homesteads	3,066,788	2,973,181	-93,607	-3.1%	24.4%	24.7%	0.3%
Total Homesteads	4,092,486	3,805,217	-287,269	-7.0%	32.5%	31.6%	-0.9%
Non-Homestead Residential	1,059,086	1,490,666	431,580	40.8%	8.4%	12.4%	4.0%
Apartments (Over 4 Units)	194,474	238,883	44,409	22.8%	1.5%	2.0%	0.4%
<u>Personal Property Only</u>							
Agricultural	160,711	108,820	-51,891	-32.3%	1.3%	0.9%	-0.4%
Residential	58,248	36,840	-21,408	-36.8%	0.5%	0.3%	-0.2%
Commercial	634,783	658,336	23,553	3.7%	5.0%	5.5%	0.4%
Industrial	2,324,735	2,021,315	-303,420	-13.1%	18.5%	16.8%	-1.7%
Utility	653,675	443,300	-210,375	-32.2%	5.2%	3.7%	-1.5%
Total	3,832,152	3,268,611	-563,541	-14.7%	30.4%	27.1%	-3.3%
Total Depreciables	3,147,065	2,509,024	-638,041	-20.3%	25.0%	20.8%	-4.2%
Total Inventory	626,839	722,745	95,906	15.3%	5.0%	6.0%	1.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	832,234	951,836	119,602	14.4%	6.6%	7.9%	1.3%
Ag Personal	160,711	108,820	-51,891	-32.3%	1.3%	0.9%	-0.4%
Total Ag Business	992,945	1,060,656	67,711	6.8%	7.9%	8.8%	0.9%
Ag Homesteads	1,025,698	832,036	-193,662	-18.9%	8.1%	6.9%	-1.2%

* "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**
Perry 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	77,848,644	124,949,702	47,101,058	60.5%	16.7%	19.5%	2.8%
Residential	160,655,984	246,670,075	86,014,091	53.5%	34.5%	38.5%	4.0%
Commercial	67,465,815	93,609,662	26,143,847	38.8%	14.5%	14.6%	0.1%
Industrial	135,387,055	152,837,015	17,449,960	12.9%	29.1%	23.9%	-5.2%
Utility	23,521,756	22,135,303	-1,386,453	-5.9%	5.1%	3.5%	-1.6%
Exempt	366,420	359,685	-6,735	-1.8%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	465,245,674	640,561,442	175,315,768	37.7%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	72,034,314	118,810,592	46,776,278	64.9%	15.5%	18.5%	3.1%
Residential	158,643,004	244,672,235	86,029,231	54.2%	34.1%	38.2%	4.1%
Commercial	47,175,575	68,453,724	21,278,149	45.1%	10.1%	10.7%	0.5%
Industrial	46,961,458	51,818,813	4,857,355	10.3%	10.1%	8.1%	-2.0%
Utility	28,286	37,243	8,957	31.7%	0.0%	0.0%	0.0%
Exempt	366,420	359,685	-6,735	-1.8%	0.1%	0.1%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	325,209,057	484,152,292	158,943,235	48.9%	69.9%	75.6%	5.7%
Agricultural Homesteads	41,884,860	57,773,019	15,888,159	37.9%	9.0%	9.0%	0.0%
Residential Homesteads	122,706,643	170,025,604	47,318,961	38.6%	26.4%	26.5%	0.2%
Total Homesteads	164,591,503	227,798,623	63,207,120	38.4%	35.4%	35.6%	0.2%
Non-Homestead Residential	35,936,361	74,646,631	38,710,270	107.7%	7.7%	11.7%	3.9%
Apartments (Over 4 Units)	6,234,485	10,603,820	4,369,335	70.1%	1.3%	1.7%	0.3%
<u>Personal Property Only</u>							
Agricultural	5,814,330	6,139,110	324,780	5.6%	1.2%	1.0%	-0.3%
Residential	2,012,980	1,997,840	-15,140	-0.8%	0.4%	0.3%	-0.1%
Commercial	20,290,240	25,155,938	4,865,698	24.0%	4.4%	3.9%	-0.4%
Industrial	88,425,597	101,018,202	12,592,605	14.2%	19.0%	15.8%	-3.2%
Utility	23,493,470	22,098,060	-1,395,410	-5.9%	5.0%	3.4%	-1.6%
Total	140,036,617	156,409,150	16,372,533	11.7%	30.1%	24.4%	-5.7%
Total Depreciables	117,022,206	122,200,583	5,178,377	4.4%	25.2%	19.1%	-6.1%
Total Inventory	21,001,431	32,210,727	11,209,296	53.4%	4.5%	5.0%	0.5%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	30,149,453	61,037,573	30,888,120	102.5%	6.5%	9.5%	3.0%
Ag Personal	5,814,330	6,139,110	324,780	5.6%	1.2%	1.0%	-0.3%
Total Ag Business	35,963,783	67,176,683	31,212,900	86.8%	7.7%	10.5%	2.8%
Ag Homesteads	41,884,860	57,773,019	15,888,159	37.9%	9.0%	9.0%	0.0%

* "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.

**Perry 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	98%	61%	13%	5%
Comparable Residential Real Prop.	88%	52%	7%	-1%
Comparable Homesteads	87%	36%	-5%	-12%

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%	314	4.0%	85	2.1%	287	3.7%	82	2.0%
200% to 300%	220	2.8%	60	1.5%	182	2.3%	43	1.1%
100% to 200%	545	7.0%	115	2.8%	482	6.2%	109	2.7%
50% to 100%	701	9.0%	226	5.5%	625	8.0%	184	4.5%
25% to 50%	649	8.3%	279	6.8%	576	7.4%	205	5.0%
10% to 25%	711	9.1%	432	10.6%	533	6.8%	270	6.6%
5% to 10%	301	3.9%	186	4.6%	285	3.7%	170	4.2%
0 to 5%	1,097	14.1%	286	7.0%	1,058	13.6%	230	5.6%
0 to -5%	425	5.5%	294	7.2%	338	4.3%	225	5.5%
-5% to -10%	437	5.6%	291	7.1%	371	4.8%	268	6.6%
-10% to -25%	1,127	14.5%	803	19.7%	1,475	19.0%	1,000	24.5%
-25% to -50%	955	12.3%	799	19.6%	1,231	15.8%	1,037	25.5%
Below -50%	301	3.9%	218	5.4%	340	4.4%	251	6.2%
	7,783	100.0%	4,074	100.0%	7,783	100.0%	4,074	100.0%
Parcels With Increases	4,538	58.3%	1,669	41.0%	4,028	51.8%	1,293	31.7%
Parcels With Reductions	3,245	41.7%	2,405	59.0%	3,755	48.2%	2,781	68.3%
Average \$ Change		\$33		-\$39		-\$5		-\$90
Average % Change		6.7%		-5.4%		-1.0%		-12.3%

"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