

Property Tax Payments, 2002-2003 - Whitley 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 Whitley County from \$4.7 Million in 2002 to \$8.7 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 Whitley County, state tax credits

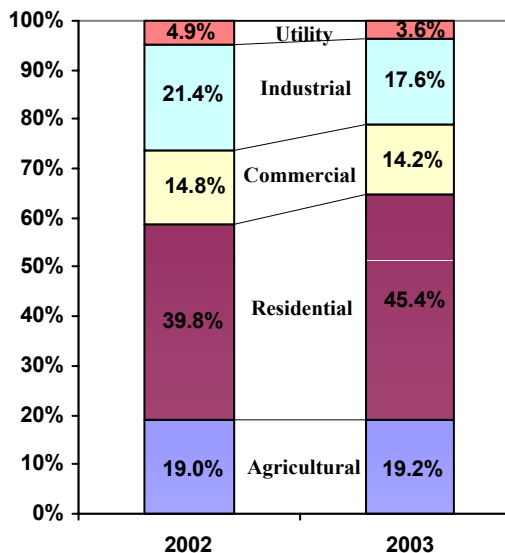
Table 1. Changes in AV and Tax Bills by Property Class for Whitley County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	82.9%	70.2%	-2.1%
Residential (All)	122.6%	90.1%	10.3%
Homestead Only	125.1%	83.8%	6.1%
Commercial	50.5%	51.0%	-7.2%
Industrial	47.5%	25.9%	-20.4%
Utility	7.5%	7.5%	-29.2%
Avg. All Classes	86.0%	63.6%	-3.2%

increased from \$4.66 million to \$8.73 million, an increase of \$4.07 million. This paper provides a brief summary of how these factors changed property tax liabilities in Whitley County.

Tax Shifts. Whitley County saw a property tax shift from businesses to residential property owners. Tax bills paid by residential property owners increased, while tax bills paid by commercial, industrial, agricultural, 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 property increased more than the assessed values of agricultural and business property. Gross assessed values of residential property more than doubled. Commercial, agricultural, utility, and industrial assessments rose less. These figures include the effects of new construction, demolition and remodeling of

Figure 1. Share of Net Property Tax Billings in Whitley County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

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 Whitley County saw their tax bills increase by a smaller amount than the average residential property increase. Owners of agricultural homesteads saw their tax bills decrease. 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 Whitley 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	59.1%	39.7%	47.8%	25.4%
Decreased	40.9%	60.3%	52.2%	74.6%
Increased 100% or More	12.7%	3.2%	8.7%	2.0%
Decreased 25% or More	14.6%	20.5%	25.5%	37.3%
Average Change (\$)	\$38	-\$36	-\$48	-\$140
Average Change (%)	5.9%	-4.2%	-7.4%	-16.3%

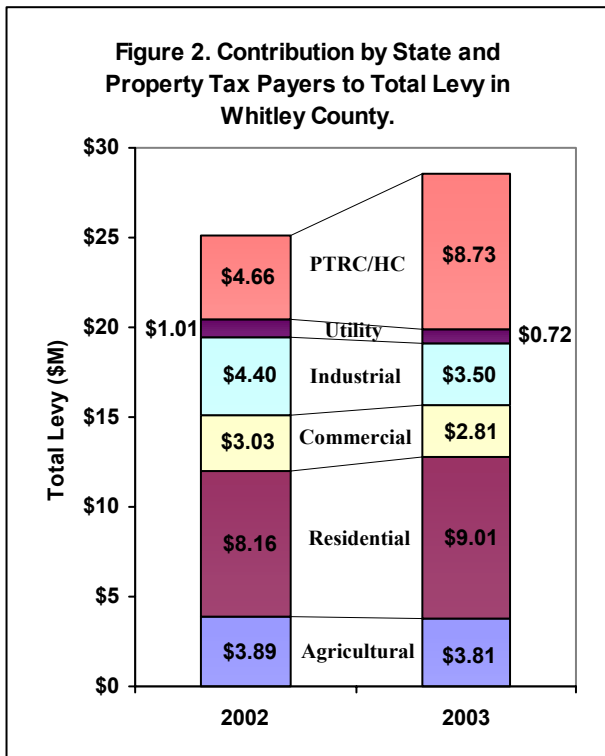
* Percentages represent the percentage of parcels affected.

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. For homesteads, almost three-quarters would have seen tax decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of substantially more homeowners than they increased.

Agriculture. Taxes on agricultural property in Whitley County fell slightly. Overall, agricultural business taxes fell less than agricultural homestead taxes. 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 decreased by a small amount.

Business. Taxes on business property fell in Whitley County because assessed values rose much less than residential 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 Whitley 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 Whitley County by PTRC and state homestead credit payments increased by approximately 87%, from \$4.7 million to \$8.7 million.

Table 3 shows estimates of how Whitley 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 eliminated these tax increases for agricultural property and substantially reduced the size of the tax increases for residential property. Whitley County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully 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 and industrial 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	15.9%	-2.1%	-18.0%
Residential (All)	53.9%	10.3%	-43.5%
Homestead Only	62.8%	6.1%	-56.8%
Commercial	-3.5%	-7.2%	-3.8%
Industrial	-17.2%	-20.4%	-3.2%
Utility	-35.1%	-29.2%	5.9%

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.

Whitley 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	753,916,530	176,083,218	432,439,031	353,372,647	72,062,300	71,846,924	1,485,056
Real Deductions	81,605,588	10,800,160	62,697,153	62,697,153	869,113	7,236,006	3,156
Real Net Assessed Value	672,310,942	165,283,058	369,741,878	290,675,494	71,193,187	64,610,918	1,481,900
Personal Gross Assd. Value	243,617,382	21,202,340	5,228,250	0	45,322,085	128,262,597	43,602,110
Personal Deductions	6,320,190	0	0	0	6,006,440	313,750	0
Personal Net Assd. Value	237,297,192	21,202,340	5,228,250	0	39,315,645	127,948,847	43,602,110
Total Gross Assessed Value	997,533,912	197,285,558	437,667,281	353,372,647	117,384,385	200,109,521	45,087,166
Total Deductions	87,925,778	10,800,160	62,697,153	62,697,153	6,875,553	7,549,756	3,156
Total Net Assessed Value	909,608,134	186,485,398	374,970,128	290,675,494	110,508,832	192,559,765	45,084,010
Gross Levy	25,216,309	4,725,015	10,533,911	8,169,221	3,584,597	5,183,987	1,188,799
PTRC (Calculated)	3,826,231	701,570	1,604,925	1,242,180	554,158	787,631	177,947
State/County Homestead Cr. (Calculated)	892,949	128,745	764,203	764,203	0	0	0
Net Levy	20,497,129	3,894,699	8,164,783	6,162,837	3,030,439	4,396,356	1,010,852
Pay 2003							
Real Gross Assessed Value	1,564,882,820	340,767,052	968,474,986	795,590,670	128,634,304	124,455,083	2,551,394
Real Deductions	358,399,908	43,456,466	261,367,550	261,367,550	4,708,751	48,861,583	5,558
Real Net Assessed Value	1,206,482,912	297,310,586	707,107,436	534,223,120	123,925,553	75,593,500	2,545,836
Personal Gross Assd. Value	290,319,025	20,060,650	5,592,470	0	48,010,158	170,727,537	45,928,210
Personal Deductions	8,914,860	0	0	0	5,042,430	3,872,430	0
Personal Net Assd. Value	281,404,165	20,060,650	5,592,470	0	42,967,728	166,855,107	45,928,210
Total Gross Assessed Value	1,855,201,845	360,827,702	974,067,456	795,590,670	176,644,462	295,182,620	48,479,604
Total Deductions	367,314,768	43,456,466	261,367,550	261,367,550	9,751,181	52,734,013	5,558
Total Net Assessed Value	1,487,887,077	317,371,236	712,699,906	534,223,120	166,893,281	242,448,607	48,474,046
Gross Levy	28,868,892	5,656,696	13,959,786	10,440,919	3,769,962	4,575,058	907,390
PTRC (Calculated)	8,117,028	1,726,123	4,162,959	3,114,828	958,574	1,077,531	191,841
State/County Homestead Cr. (Calculated)	907,136	117,861	789,276	789,276	0	0	0
Net Levy	19,844,728	3,812,712	9,007,552	6,536,815	2,811,389	3,497,527	715,549
COMPARISONS							
Net Levy Percent Change	-3.2%	-2.1%	10.3%	6.1%	-7.2%	-20.4%	-29.2%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	107.6%	93.5%	124.0%	125.1%	78.5%	73.2%	71.8%
Gross Personal AV	19.2%	-5.4%	7.0%	0.0%	5.9%	33.1%	5.3%
Total Gross Assessed Value	86.0%	82.9%	122.6%	125.1%	50.5%	47.5%	7.5%
Net Assessed Value	63.6%	70.2%	90.1%	83.8%	51.0%	25.9%	7.5%
Gross Levy	14.5%	19.7%	32.5%	27.8%	5.2%	-11.7%	-23.7%
Net Levy	-3.2%	-2.1%	10.3%	6.1%	-7.2%	-20.4%	-29.2%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	3,740,945	7,835,631	4,094,686	109.5%			
State Homestead Cr. (Abstract)	920,054	890,659	-29,394	-3.2%			
Total State Credits (Abstract)	4,660,999	8,726,291	4,065,292	87.2%			

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

Property Classification	2002		2003		2002	2003	Change
	Net Tax	Net Tax	Difference***	Change***	% of Total Real + Pers	% of Total Real + Pers	
<u>Real + Personal</u>							
Agricultural	3,894,699	3,812,712	-81,987	-2.1%	19.0%	19.2%	0.2%
Residential	8,164,783	9,007,552	842,769	10.3%	39.8%	45.4%	5.5%
Commercial	3,030,439	2,811,389	-219,050	-7.2%	14.8%	14.2%	-0.6%
Industrial	4,396,356	3,497,527	-898,829	-20.4%	21.4%	17.6%	-3.8%
Utility	1,010,852	715,549	-295,303	-29.2%	4.9%	3.6%	-1.3%
Exempt	2,897	6,102	3,205	110.6%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	20,500,026	19,850,831	-649,195	-3.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,436,398	3,532,088	95,690	2.8%	16.8%	17.8%	1.0%
Residential	8,047,599	8,934,591	886,992	11.0%	39.3%	45.0%	5.8%
Commercial	1,997,099	2,039,448	42,349	2.1%	9.7%	10.3%	0.5%
Industrial	1,470,438	1,006,364	-464,074	-31.6%	7.2%	5.1%	-2.1%
Utility	33,767	34,691	924	2.7%	0.2%	0.2%	0.0%
Exempt	2,897	6,102	3,205	110.6%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	14,988,198	15,553,284	565,086	3.8%	73.1%	78.4%	5.2%
Agricultural Homesteads	1,797,092	1,734,349	-62,743	-3.5%	8.8%	8.7%	0.0%
Residential Homesteads	6,162,837	6,536,815	373,978	6.1%	30.1%	32.9%	2.9%
Total Homesteads	7,959,929	8,271,164	311,235	3.9%	38.8%	41.7%	2.8%
Non-Homestead Residential	1,884,762	2,397,776	513,014	27.2%	9.2%	12.1%	2.9%
Apartments (Over 4 Units)	279,691	326,116	46,425	16.6%	1.4%	1.6%	0.3%
<u>Personal Property Only</u>							
Agricultural	458,301	280,623	-177,678	-38.8%	2.2%	1.4%	-0.8%
Residential	117,184	72,960	-44,224	-37.7%	0.6%	0.4%	-0.2%
Commercial	1,033,340	771,941	-261,399	-25.3%	5.0%	3.9%	-1.2%
Industrial	2,925,918	2,491,163	-434,755	-14.9%	14.3%	12.5%	-1.7%
Utility	977,084	680,858	-296,226	-30.3%	4.8%	3.4%	-1.3%
Total	5,511,827	4,297,545	-1,214,282	-22.0%	26.9%	21.6%	-5.2%
Total Depreciables	3,544,128	2,954,232	-589,896	-16.6%	17.3%	14.9%	-2.4%
Total Inventory	1,850,516	1,270,353	-580,163	-31.4%	9.0%	6.4%	-2.6%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,639,306	1,797,740	158,434	9.7%	8.0%	9.1%	1.1%
Ag Personal	458,301	280,623	-177,678	-38.8%	2.2%	1.4%	-0.8%
Total Ag Business	2,097,607	2,078,363	-19,244	-0.9%	10.2%	10.5%	0.2%
Ag Homesteads	1,797,092	1,734,349	-62,743	-3.5%	8.8%	8.7%	0.0%

* "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**
Whitley 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	186,485,398	317,371,236	130,885,838	70.2%	20.5%	21.3%	0.8%
Residential	374,970,128	712,699,906	337,729,778	90.1%	41.2%	47.9%	6.7%
Commercial	110,508,832	166,893,281	56,384,449	51.0%	12.1%	11.2%	-0.9%
Industrial	192,559,765	242,448,607	49,888,842	25.9%	21.2%	16.3%	-4.9%
Utility	45,084,010	48,474,046	3,390,036	7.5%	5.0%	3.3%	-1.7%
Exempt	97,290	418,710	321,420	330.4%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	909,705,423	1,488,305,786	578,600,363	63.6%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	165,283,058	297,310,586	132,027,528	79.9%	18.2%	20.0%	1.8%
Residential	369,741,878	707,107,436	337,365,558	91.2%	40.6%	47.5%	6.9%
Commercial	71,193,187	123,925,553	52,732,366	74.1%	7.8%	8.3%	0.5%
Industrial	64,610,918	75,593,500	10,982,582	17.0%	7.1%	5.1%	-2.0%
Utility	1,481,900	2,545,836	1,063,936	71.8%	0.2%	0.2%	0.0%
Exempt	97,290	418,710	321,420	330.4%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	672,408,231	1,206,901,621	534,493,390	79.5%	73.9%	81.1%	7.2%
Agricultural Homesteads	89,107,615	150,175,650	61,068,035	68.5%	9.8%	10.1%	0.3%
Residential Homesteads	290,675,494	534,223,120	243,547,626	83.8%	32.0%	35.9%	3.9%
Total Homesteads	379,783,109	684,398,770	304,615,661	80.2%	41.7%	46.0%	4.2%
Non-Homestead Residential	79,066,384	172,884,317	93,817,933	118.7%	8.7%	11.6%	2.9%
Apartments (Over 4 Units)	9,557,373	18,715,482	9,158,109	95.8%	1.1%	1.3%	0.2%
<u>Personal Property Only</u>							
Agricultural	21,202,340	20,060,650	-1,141,690	-5.4%	2.3%	1.3%	-1.0%
Residential	5,228,250	5,592,470	364,220	7.0%	0.6%	0.4%	-0.2%
Commercial	39,315,645	42,967,728	3,652,083	9.3%	4.3%	2.9%	-1.4%
Industrial	127,948,847	166,855,107	38,906,260	30.4%	14.1%	11.2%	-2.9%
Utility	43,602,110	45,928,210	2,326,100	5.3%	4.8%	3.1%	-1.7%
Total	237,297,192	281,404,165	44,106,973	18.6%	26.1%	18.9%	-7.2%
Total Depreciables	156,929,852	197,958,649	41,028,797	26.1%	17.3%	13.3%	-3.9%
Total Inventory	75,139,089	77,853,046	2,713,957	3.6%	8.3%	5.2%	-3.0%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	76,175,443	147,134,936	70,959,493	93.2%	8.4%	9.9%	1.5%
Ag Personal	21,202,340	20,060,650	-1,141,690	-5.4%	2.3%	1.3%	-1.0%
Total Ag Business	97,377,783	167,195,586	69,817,803	71.7%	10.7%	11.2%	0.5%
Ag Homesteads	89,107,615	150,175,650	61,068,035	68.5%	9.8%	10.1%	0.3%

* "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.

**Whitley 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	141%	104%	18%	3%
Comparable Residential Real Prop.	118%	83%	6%	-7%
Comparable Homesteads	113%	67%	-4%	-16%

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%	242	2.1%	38	0.5%	186	1.6%	28	0.4%
200% to 300%	242	2.1%	42	0.6%	161	1.4%	29	0.4%
100% to 200%	978	8.5%	147	2.1%	658	5.7%	82	1.2%
50% to 100%	1,381	12.0%	433	6.1%	1,065	9.3%	241	3.4%
25% to 50%	1,292	11.2%	628	8.9%	1,115	9.7%	405	5.7%
10% to 25%	1,136	9.9%	750	10.6%	918	8.0%	470	6.7%
5% to 10%	449	3.9%	339	4.8%	384	3.3%	228	3.2%
0 to 5%	1,075	9.4%	427	6.0%	1,008	8.8%	307	4.3%
0 to -5%	587	5.1%	523	7.4%	461	4.0%	341	4.8%
-5% to -10%	611	5.3%	576	8.2%	532	4.6%	410	5.8%
-10% to -25%	1,819	15.8%	1,714	24.3%	2,070	18.0%	1,885	26.7%
-25% to -50%	1,402	12.2%	1,241	17.6%	2,471	21.5%	2,274	32.2%
Below -50%	276	2.4%	203	2.9%	461	4.0%	361	5.1%
	11,490	100.0%	7,061	100.0%	11,490	100.0%	7,061	100.0%
Parcels With Increases	6,795	59.1%	2,804	39.7%	5,495	47.8%	1,790	25.4%
Parcels With Reductions	4,695	40.9%	4,257	60.3%	5,995	52.2%	5,271	74.6%
Average \$ Change		\$38		-\$36		-\$48		-\$140
Average % Change		5.9%		-4.2%		-7.4%		-16.3%

"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

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