

TAX MATTERS

**MAY 28, 2009, Issue #09-21, by Bernard Ridens, Executive Director
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- 1. VIGO COUNTY PAY 2009 TAX RATES
CERTIFIED FACTS**
- 2. THE CONTINUING UNEMPLOYMENT INSURANCE DEBATE**
- 3. TWO ALTERNATIVE TAXES**
- 4. PUBLIC MEETINGS**
- 5. SOME FOOD FOR THOUGHT**

REVIEW OF PAST TAX MATTERS

MAY 21, 2009 (#09-20)

- **THE OTHER SIDE OF LAST WEEK'S UNEMPLOYMENT INSURANCE REPORT**
 - This week we are running an article sent by the Indiana Senate Majority Caucus through e-mail. This article includes a discussion of the 15 facts "critics apparently didn't want you to know about our efforts to make unemployment insurance work for all Hoosiers – small-business owners, industry leaders and their employees."
- **WASTE TREATMENT BID RESULTS**
 - Last Thursday, May 14th, the Board of Public Works and Safety used a reverse auction service to conduct bids on three wastewater utility pickup trucks. The auction was 1 hour and 32 minutes long.
- **NEIGHBORHOOD PARTNERSHIP CITY REPORTS**
 - Pat Martin, the City Planner; and Darrell Zeck, the Director of Public Affairs attended the Neighborhood Partnership meeting held April 28, 2009.

MAY 14, 2009 (#09-19)

- **CITY PARKS MASTER PLAN**
 - On Wednesday, May 27, the Terre Haute Parks and Recreation Department took a final vote on their master plan for 2009-2013. It is available on the city parks web site at <http://www.terrehaute.in.gov/departments/parks/parks-and-recreation-master-plan-2009-2013>.
- **GOVERNOR DANIELS' SIGNING OF THE LARGEST BUSINESS TAX IN STATE'S HISTORY WILL COST INDIANA JOBS**
 - Indiana Manufacturers' Association's view on Governor Daniels' unemployment insurance bill

MAY 7, 2009 (#09-18)

- **HOW TO FIGHT PROPERTY TAXES**
 - The National Taxpayers Union released a guide named "How to Fight Property Taxes: A Homeowner's Guide to Appealing an Unfair Property Tax Assessment."
- **SPECIAL VOLUNTEERS WANTED**
 - The Taxpayers web site is planning on going public July 1st. Prior to doing so, we would like a few people to test the site and let us know what does and does not work.

The Taxpayers Association is a not-for-profit organization supported by membership dues. Any citizen or group of citizens in Vigo County may be a member.

1. VIGO COUNTY PAY 2009 TAX RATES CERTIFIED FACTS

Your property taxes to be paid in 2009 will be calculated differently than in past years. We will explain with examples how this is done next week. Meanwhile, here is the certified rate schedule, provided by the Indiana Department of Local Government Finance.

STATE OF INDIANA
DEPARTMENT OF LOCAL GOVERNMENT FINANCE
**2009 TAX RATE, PERCENT OF STATE PROPERTY TAX REPLACEMENT CREDIT
AND PERCENT OF HOMESTEAD CREDIT
(Per Taxing District)**

Year: 2009
County: 84 Vigo

DISTRICT	DISTRICT RATE	% OF SPTRC RE & OTHER PP	% OF SPTRC BUS PP	% of State Homestead
001	FAYETTE TOWNSHIP	1.7566	.000000	.000000
002	TERRE HAUTE CITY-HARRISON TOWN	3.6348	.000000	.000000
003	HONEY CREEK TOWNSHIP	1.8973	.000000	.000000
004	HONEY CREEK TOWNSHIP-SANITARY	2.2122	.000000	.000000
005	TERRE HAUTE CITY-HONEY CREEK T	3.5909	.000000	.000000
006	LINTON TOWNSHIP	1.7263	.000000	.000000
007	LOST CREEK TOWNSHIP	1.7499	.000000	.000000
008	LOST CREEK TOWNSHIP-SANITARY	2.0648	.000000	.000000
009	TERRE HAUTE CITY-LOST CREEK TO	3.6169	.000000	.000000
010	SEELYVILLE TOWN	2.3371	.000000	.000000
011	NEVINS TOWNSHIP	1.7599	.000000	.000000
012	OTTER CREEK TOWNSHIP	1.7342	.000000	.000000
013	OTTER CREEK TOWNSHIP-SANITARY	2.0491	.000000	.000000
014	TERRE HAUTE CITY-OTTER CREEK T	3.6011	.000000	.000000
015	PIERSON TOWNSHIP	1.7627	.000000	.000000
016	PRAIRIE CREEK TOWNSHIP	1.7770	.000000	.000000
017	PRAIRIETON TOWNSHIP	1.7847	.000000	.000000
018	RILEY TOWNSHIP	1.9318	.000000	.000000
019	RILEY TOWNSHIP-SANITARY	2.2467	.000000	.000000
020	RILEY TOWN	2.3078	.000000	.000000
021	SUGAR CREEK TOWNSHIP	2.0220	.000000	.000000
022	WEST TERRE HAUTE TOWN	3.3221	.000000	.000000
023	TERRE HAUTE CITY --- RILEY TOWN	3.6052	.000000	.000000
024	LINTON TOWNSHIP - SANITARY	2.2247	.000000	.000000
025	FAYETTE NEW GOSHEN FIRE	1.7630	.000000	.000000

You can go to their web site: www.in.gov/dlqf/4932.htm and enter your numbers and their computer program called 2009 Tax Bill Estimator will give you an estimate of your tax liability for 2009. Be sure to FIRST determine your latest assessed value due to trending. You can determine this by going to the Vigo County web site Beacon and there they can find their homestead or business property details. Do not be surprised to find your 2009 tax liability to be higher than your 2008 tax liability. A major cause of higher taxes is due to a decrease in the Vigo County total assessed valuation. Here is a review of the Vigo County assessed valuation:

Year	Assessed Valuation	% Increase
2004	\$3,598,749,540	1.46%
2005	\$3,677,987,330	2.20%
2006	\$3,613,955,389	-1.74%
2007	\$3,950,640,713	9.32%
2008	\$4,017,089,889	1.68%
2009	\$3,565,379,224	-11.24%

2. THE CONTINUING UNEMPLOYMENT INSURANCE DEBATE

Two weeks ago, we published an article from the Indiana Manufacturers Association criticizing HEA 1379, a new law that would help pay for the unemployment insurance fund. Last week, we printed a letter from four Indiana Senators defending the law, writing “15 Things Critics Didn’t Want You to Know About Indiana’s New Law Making Unemployment Insurance Work.” Today we publish a rebuttal of this letter from the IMA and the Indiana Chamber of Commerce.

15 Facts You Need to Know About the Largest Tax Increase on Indiana Businesses in State History

By the Indiana Chamber of Commerce and the Indiana Manufacturers Association

Recently, four Republican Senators sent out a political document using an extensive, state-funded media and lobbying effort claiming critics of the recent record unemployment insurance tax increase failed to recognize 15 facts about the legislation. According to one dictionary source, a “fact is a pragmatic truth, a statement that can, at least in theory, be checked and either confirmed or denied. Facts are often contrasted with opinions and beliefs, statements which are held to be true, but are amenable to pragmatic confirmation or denial.”

One Senator went as far as calling the legislation “the most pro-business unemployment insurance bill in the country.” This certainly isn’t a fact, and we think the majority of businesses who see their bills rise significantly in December 2009 will have a much different view.

Here is what some others have had to say about HEA 1379:

Gov. Daniels: “It was a very close call. This is a very imperfect bill. The criticisms are legitimate that it is unfair and unbalanced.”

Department of Workforce Development: “Unfortunately, this measure does not provide a balanced solution. Since solvency of the fund was not achieved, a federal tax increase of \$58 million will begin next year on employers as well.”

Rep. Dan Leonard (on the House floor before the final bill was passed); “This is one of the largest tax increases in history. This is a job killer!”

The following is an attempt to set the record straight and determine which of the claimed facts can be either confirmed or denied:

1. Senate Republican Statement: Indiana faced a federal government takeover.

FACT: There is no “federal takeover” provided in any existing state or federal law. There are federal provisions for penalties if a state does not have a plan to start paying back the borrowed money by November 2010. Even if there is no plan, the penalty is NOT a so-called “federal takeover.” The Indiana Department of Workforce Development reported the following: “Does not balance the Trust fund. Since solvency of the fund was not achieved, a federal tax increase of \$58 million will begin next year on employers as well.”

2. Senate Republican Statement: Small businesses were unfairly forced to subsidize big business.

FACT: The reality is that under current law, the average size of employers at the lowest unemployment insurance tax rate is 17.3 employees; and the average size of employers at the highest tax rate is 15.8 employees. There is **NO** relationship between the size of the employer and its individual tax rate. Ninety-seven percent of Hoosier employers have less than 100 employees.

3. Senate Republicans Statement: Some big businesses wanted “The Little Guy” to bail them out.

FACT: Neither the Senate nor the House gave any serious consideration to an employee tax. Although we advocated a short-term employee co-pay as part of a potential balanced solution, at no time was that a make-or-break provision as evidenced by our support of many of the components in the original Senate bill. Nor did they give serious consideration to other suggested reforms that included a temporary reduction in the benefit levels that the administration has deemed the “Rolls Royce” of benefits in the country.

4. Senate Republican Statement: \$1.2 billion House price tag was reduced 75 percent by Senate.

FACT: No serious legislative consideration was given to one of the more expensive House drafts offered for negotiating purposes only, which had no chance of passage.

5. Senate Republican Statement: Reforms save employers dollar-for-dollar.

FACT: The administrative and structural portions of the bill are valued by the proponents who claim those changes will save \$302 million per year. There is no credible source for this estimate, and it is in direct conflict with the legislature’s own fiscal note, which estimates the savings at only \$140 million. If the Senate claim of \$302 million was accurate, then the last five years have cost the fund \$1.5 billion in waste, fraud and abuse. If they would have taken steps earlier to eliminate waste, fraud and abuse, the trust fund would be solvent with about \$700 million in the fund and no need for any tax increases. If the \$302 million in savings is factual, why should past system mismanagement and abuse be the sole responsibility of employers through higher taxes? This is a main issue. The real fact is we don’t have the facts.

The details of the Senators’ statement referenced the Indiana Chamber’s *April 20 Legislative Agenda* and the Chamber’s post-session comments, calling these “inconsistent and inaccurate characterizations of the plan.” What the statement did not point out was that the April 20 comments were in reference to the bill that passed the Senate and contained many common sense reforms; the post-session “no solution at all” comment refers to the legislation that remained after the reforms were removed during conference committee negotiations. In other words, two very different bills equal two very different opinions, comments and positions.

6. Senate Republican Statement: Real job searches will be required for the first time.

FACT: For years, unemployment claimants have been required by the department to actively seek employment at three locations per week. The Senate Republicans say they will now require claimants to actually fill out one job application per week, which can be filed online; and this will save \$12 million annually. The Senate-passed version from March required three applications and claimed \$12 million annually. Employers are not required to report applicants and may incur liability if they do.

7. Senate Republican Statement: Worker misconduct will be intolerable and actionable.

FACT: Disqualification of just-cause discharges for theft, drugs or alcohol use and poor attendance are in existing law. If properly enforced, those claimants wouldn't be eligible now.

8. Senate Republican Statement: Compliance Center will police \$160 million in fraudulent claims.

FACT: Again no known source of this analysis. The legislative fiscal note estimates \$45 million.

9. Senate Republican Statement: Indiana will discard deck stacked against employers. Reforms to the claims' adjudication process would give employers the best, fairest shake at the table in disputing errant unemployment claims by former employees.

FACT: The changes provided for training, monitoring and discipline of those who adjudicate UI claims, and the changes improving notice and information to employers for hearings are good provisions. They were drafted and proposed by business experts, were presented to the Senate Republicans for consideration, and passed the Senate in Senate Bill 84. Additionally, the real question is why aren't employers currently receiving a "fair shake"?

10. Senate Republican Statement: Plan considers recession; slows premium schedule.

FACT: Premiums were not "slowed;" the majority of employers will see dramatic increases in their unemployment insurance taxes next year. Those at the lowest tax rates will receive a \$10.50 per-employee reduction in 2010 and a \$2.00 per-employee reduction in 2011. All others will get increases ranging as high as 950 percent. This will cause additional layoffs.

11. Senate Republican Statement: Surcharges were avoided; lower wage base was used.

FACT: Again the Senate passed a wage base increase of \$10,000, then cut its own increase to \$9,500, and claimed to have saved business. Likewise, the Senate passed a surcharge costing about \$58,000,000, then took it out, and claimed credit for saving business that cost. The Senate proponents insisted on raising the taxes higher than the rates they originally passed, but now claim to have saved money for business.

12. Senate Republican Statement: Unemployment Insurance should/will work like other insurance.

FACT: The unemployment insurance system is federally mandated social insurance and is not like auto or health insurance. Employers are not high risk or low risk. They are cyclical or non-cyclical. For example, an individual does not become a homebuilder during an economic downturn in order to lay off workers and "abuse" the unemployment system. As the economy experiences ups and downs, the unemployment system is designed to smooth out those changes and accomplish two goals: 1) infuse money into the economy during downturns, and 2) provide a modest level of wage replacement for those who are unemployed and meet the qualification requirements for benefits.

13. Senate Republican Statement: 45,000 Employers will see premium decreases.

FACT: There is no factual source of this estimate. HB 1379 does contain combined increased taxes for all other estimated 96,000 employers of up to \$1,087 per employee in the next two years. The overall tax increase contained in HB 1379 could be more than \$700 million over the next two years. This occurred without any real discussion of economic impact on any current or future employers. Many businesses have already responded by announcing they will have to reduce employment next year to pay for the tax increases.

14. Senate Republican Statement: New reduced-rate option raises funds, promotes steady jobs.

FACT: HB 1379 contains a provision whereby an employer can make an additional, one-time contribution and receive a credit to their account of two and one half dollars for every dollar paid. This was an idea prompted by business advocates. In a preliminary review of HEA 1379, the U.S. Department of Labor has indicated that this provision violates federal law.

15. Senate Republican Statement: Users' and Abusers' premiums competitive in Midwest.

FACT: Employers are not “users” and “abusers.” There are businesses that are forced to lay off workers because of economic downturn. No employer chooses a particular industry because they know they will be able to put people out of work. Not understanding this point demonstrates a lack of basic understanding of the structure of Indiana’s economy. To call any employer an “abuser” because they have to temporarily reduce workforce due to this severe recession is not warranted and is uncalled for.

In addition, this increase eliminates any advantages Indiana had compared to surrounding states and also hurts our competitive position nationally and internationally.

3. TWO ALTERNATIVE TAXES

In the past, we have published articles on the FairTax. The FairTax proposes the replacement of all income taxes with a single retail sales tax.

National Taxpayers Union page on FairTax –

<http://www.ntu.org/main/page.php?PageID=93>

Wikipedia Information on FairTax - <http://en.wikipedia.org/wiki/FairTax>

There is now talk from some policymakers on another alternative taxing system currently in use in over 130 countries. It is called the value-added tax (VAT), which would tax transactions among producers, wholesalers and retailers before their product reaches the consumer. A Washington Post article recently documented the proposals of a VAT and how it would help with the federal deficit and health care reform. Though the article calls it a “national sales tax,” it isn’t entirely accurate, as while the prices of products would be higher for consumers, consumers aren’t directly taxed with a VAT.

Washington Post article –

<http://www.washingtonpost.com/wp-dyn/content/article/2009/05/26/AR2009052602909.html>

Wikipedia Information on VAT - http://en.wikipedia.org/wiki/Value_added_tax

4. PUBLIC MEETINGS

The purpose of this calendar is to encourage taxpayers to attend public meetings. Taxpaying persons working at your business or living in your neighborhood should be encouraged to attend a meeting of their choice at least once per year. The date and time for the meetings listed below are always subject to change. Organizations that are underlined have a web page that can be accessed by clicking on their respective hyperlinks. The contact person is also listed. You should call the appropriate office and confirm the date and time if you plan to attend.

Date	Time	Public Meeting	Location	Contact Info
Mon. Jun. 1	4:00 pm	<u>Vigo County Drainage Board</u>	County Annex	David 898-2685
Mon. Jun. 1	4:30 pm	Animal Control Board	City Hall – 1 st Floor	
Mon. Jun. 1	6:30 pm	Riley Town Board	Riley Town Hall	Wanda 894-2410
Tue. Jun. 2	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Jun. 2	10:00 am	<u>City Board of Sanitary Commissioners</u>	City Hall – 3 rd Floor	Sally 235-5458
Tue. Jun. 2	4:30 pm	Honey Creek Conservancy District	3241 S. 3 rd Place	Craig 232-4311
Wed. Jun. 3	9:00 am	<u>City Board of Zoning Appeals</u>	City Hall – 1 st Floor Conf. Room	Judy 462-3367
Wed. Jun. 3	7:00 pm	<u>County Area Planning Commission</u>	County Annex	Vickie 462-3354
Thur. Jun. 4	7:00 pm	<u>City Council – Sunshine Meeting</u>	City Hall – Courtroom	Michelle 232-3375
Mon. Jun. 8	2:00 pm	<u>Board of Public Works and Safety</u>	City Hall – 1 st Floor	Robin 232-4767
Mon. Jun. 8	6:00 pm	West Terre Haute Town Board	500 W. Nat'l, WTH	Melody 533-2034
Tue. Jun. 9	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Jun. 9	4:15 pm	<u>Vigo County Redevelopment Commission</u>	County Annex	Amanda 234-2524
Tue. Jun. 9	4:30 pm	<u>County Council</u>	County Annex	Auditor 462-3361
Tue. Jun. 9	7:00 pm	Seelyville Town Board	Seelyville Water Office	Tamara 877-2665
Wed. Jun. 10	10:00 am	<u>County Board of Zoning Appeals</u>	County Annex	Judy 462-3367
Wed. Jun. 10	4:30 pm	<u>City Park Board – General Meeting</u>	Deming Park	Eddie 232-2727
Wed. Jun. 10	7:00 pm	<u>Airport Authority</u>	Airport	Kara 877-2524
Thur. Jun. 11	2:00 pm	<u>Board of Public Works and Safety – Reverse Auction</u>	City Hall – 1 st Floor	Robin 232-4767
Thur. Jun. 11	7:00 pm	<u>City Council – Regular Meeting</u>	City Hall – Courtroom	Michelle 232-3375
Mon. Jun. 15	5:30 pm	<u>Human Relations Commission</u>	Booker T. Washington Center	Jeff 232-0110
Mon. Jun. 15	7:00 pm	<u>Vigo County Public Library</u>	Library – Main Branch	Nancy 232-1113
Tue. Jun. 16	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Jun. 16	10:00 am	<u>City Board of Sanitary Commissioners</u>	City Hall – 3 rd Floor	Sally 235-5458
Wed. Jun. 17	9:30 am	Clay-Owen-Vigo Solid Waste District	109 E. Nat'l, Brazil IN	Janet 800-387-3380
Wed. Jun. 17	4:00 pm	<u>City Redevelopment Commission</u>	City Hall – 1 st Floor	Phenny 232-0018
Thur. Jun. 18	2:00 pm	Tree Advisory Board	City Hall Mayor's Conf. Room	Jennifer 232-4028

5. SOME FOOD FOR THOUGHT

*A truly happy person is one who can
enjoy the scenery on a detour.*

END

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