TAX 

TOPICS

A Publication of the Taxpayers Association of Vigo County, Inc. Fall 2008

BALL STATE REPORTS 2008 AS 2nd MOST EXPENSIVE INDIANA FLOOD YEAR

A recent report through Ball State University indicates that 2008 is the 2nd most expensive flood year for Indiana. The 2003 flood caused about $270 million in damage with the 2008 estimate at $126 million. Michael Hicks of Ball State and Mark Burton of the University of Tennessee concentrated on the White River, the Wabash River, and other drainage areas.

Preliminary Flood Damage Estimates:

Damage Category	White River	Wabash River
Damages to Residential Structures	$11,693,000	$ 5,534,000
Damages to Residential Contents	$ 8,278,000	$ 3,920,000
Damages to Commercial Structures	$ 8,363,000	$ 4,150,000
Damages to Commercial Equipment	$11,039,000	$ 5,478,000
Commercial Revenue Losses	$ 775,000	$ 384,000
Cleanup/Restoration Public Facilities	$ 573,000	$ 284,000
Damages to Railroad Properties	$ 1,746,000	$ 866,000
Road and Bridge Damage	$ 9,820,000	$ 4,873,000
Damages to Airports	$ 840,000	$ 417,000
Sewer System Damages	$ 2,129,000	$ 1,056,000
Damages to Electric Utilities	$ 689,000	$ 341,000
Other Utility Damages	$ 626,000	$ 310,000
Other Public Infrastructure	$17,286,000	$ 8,578,000
Crop Damage	$14,209,000	$ 2,601,000
Total	**$88,074,000**	**$38,799,000**

"Taxation *with* representation ain't so hot either."
—Gerald Barzan

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INDIANA WATERWAY PERMITS MANUAL

Question: Who is responsible for the cleanup or prevention of creek logjams such as those known and reported before the June 7, 2008, flood?

Answer: As of this report, the most popular answer given by authorities is "the landowner." AND except for emergency conditions, he or she must acquire a permit, and, of course, know how to fix the problem and have access to the appropriate equipment to do so. If you desire a more detailed understanding of this concept, read this 82-page document provided by the Indiana Department of Transportation:

http://www.in.gov/indot/files/WaterwayManual.pdf

SOME RAINFALL NUMBERS

One acre-inch of water equals 27,154 gallons.
A square mile-inch of water equals 17,378,560 gallons.
Ten square mile-inches of water equals 173,785,600 gallons.
Ten square miles, ten inches deep of water equals 1,737,856,000 gallons.
To give you some perspective, this amount of water would fill **193,095** gasoline tanker trucks!

(Vigo County is 403 square miles. Go figure.)

DO YOU HAVE FLOOD DAMAGE?

Properties structurally damaged by the recent flood qualifies for a reduction in assessment. Vigo County owners of such properties have until December 31, 2008 to file the attached form with the Vigo County Assessor.
Petition for Survey and Reassessment–Real and Personal Property Partially or Totally Destroyed by Disaster: http://www.in.gov/icpr/webfile/formsdiv/17592.pdf

On a related matter, great numbers of real property not structurally damaged are not worth what they were before the flood. Buyers will not pay as much for property with known flood potential. The concept of trending should therefore apply in reverse.

FLOOD NOTES AND TAXES

Now that the flood water has diminished, and dusty yards are returning, it's time to give serious thought to the possibilities of future flooding in Vigo County. The impact of flooding should be a serious concern to each and every citizen of Vigo County and our neighboring counties. The many properties damaged or totally destroyed will reduce the total assessed value of the county and if spending remains constant, taxes will be higher for all property owners. It is imperative that all Vigo County elected and appointed officials begin to work together and find solutions that will minimize future damage due to heavy rainfall.

Here is a table of Wabash River flood crest records sorted three ways (depth, month, year):

a) ranked by feet

RANK	FEET	MONTH	YEAR
1	31.10	3.27	1913
2	30.50	5.20	1943
3	28.00	3.15	1828
4	27.70	2.18	1883
5	27.65	1.16	1950
6	27.60	6.16	1958
7	27.38	1.16	2005
8	26.90	2.15	1959
9	26.70	8.03	1875
10	26.60	4.15	1858
10	26.60	2.26	1985
12	26.08	1.02	1991
13	25.70	3.27	1904
14	25.30	2.21	1867
15	25.16	6.08	2008
16	25.14	2.10	2008
17	25.03	7.13	2003
18	23.89	6.17	1998
19	22.98	6.18	2004
20	22.84	1.18	2005

b) ranked by month of the year

RANK	FEET	MONTH	YEAR
12	26.08	1.02	1991
20	22.84	1.08	2005
5	27.65	1.16	1950
7	27.38	1.16	2005
16	25.14	2.10	2008
8	26.90	2.15	1959
4	27.70	2.18	1883
14	25.30	2.21	1867
10	26.60	2.26	1985
RANK	FEET	MONTH	YEAR
3	28.00	3.15	1828
1	31.10	3.27	1913
13	25.70	3.27	1904
10	26.60	4.15	1858
2	30.50	5.20	1943
15	25.16	6.08	2008
6	27.60	6.16	1958
18	23.89	6.17	1998
19	22.98	6.18	2004
17	25.03	7.13	2003
9	26.70	8.03	1875

c) ranked by year

RANK	FEET	MONTH	YEAR
3	28.00	3.15	1828
10	26.60	4.15	1858
14	25.30	2.21	1867
9	26.70	8.03	1875
4	27.70	2.18	1883
13	25.70	3.27	1904
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5	27.65	1.16	1950
6	27.60	6.16	1958
8	26.90	2.15	1959
10	26.60	2.26	1985
12	26.08	1.02	1991
18	23.89	6.17	1998
17	25.03	7.13	2003
19	22.98	6.18	2004
7	27.38	1.16	2005
20	22.84	1.18	2005
15	25.16	6.08	2008
16	25.14	2.10	2008

It should be noted that 7 of the 20 record flood stages have occurred during the past ten years, with two in 2005 and two in 2008. It should also be noted that during the recent flood the river initially remained below record levels, able to handle a significant portion of this water if all ditches, channels, and creeks were fully functional.

TAX REALIGNMENT – PROPERTY TAX REDUCTION

The Department of Local Government Finance released the property tax rates and replacement credits to Vigo County on July 2008. We are giving you both the 2006 Pay 2007 figures and the 2007 Pay 2008 figures. You may note that the rates have increased slightly, but the key to the reduction in property tax is the replacement credit. For example, the rate for Terre Haute Lost Creek was 3.8985 for 2007 and is 3.9783 this year. The big change is that the Homestead Replacement Credit increased from 0.153351 in 2007 to 0.290928 for 2008. Non-Homestead credits, however, decreased. Individuals should expect to pay less for the home they are living in, and all others should expect to pay more.

STATE OF INDIANA
DEPARTMENT OF LOCAL GOVERNMENT FINANCE
2008 TAX RATE, PERCENT OF STATE PROPERTY TAX REPLACEMENT CREDIT AND PERCENT OF HOMESTEAD CREDIT
(Per Taxing District)

TOWNSHIP	DISTRICT RATE	REPL CR	BUS REPL	HMST REPL
001-FAYETTE	2.2573	.242539	.138949	.252055
002-HARRISON	3.9965	.204332	.078481	.291519
003-HONEY CREEK	2.3856	.235284	.131477	.250190
004-HONEY CREEK SAN	2.6763	.210302	.117196	.217300
005-T.H. HONEY CREEK	3.9597	.204516	.079211	.290320
006-LINTON	2.2300	.245175	.140650	.255218
007-LOST CREEK	2.2426	.245915	.139860	.259210
008-LOST CREEK SAN	2.5333	.218303	.123812	.222790
009-T.H. LOST CREEK	3.9783	.204422	.078840	.290928
010-SEELYVILLE	2.7574	.214884	.113750	.237421
011-NEVINS	2.2564	.243913	.139005	.255727
012-OTTER CREEK	2.2369	.244266	.140217	.253752
013-OTTER CREEK SAN	2.5276	.216781	.124090	.218118
014-T.H. OTTER CREEK	3.9668	.204422	.079071	.290026
015-PIERSON	2.2786	.240180	.137650	.248702
016-PRAIRIE CREEK	2.2623	.244245	.138642	.257533
017-PRAIRIETON	2.3694	.242654	.132376	.268373
018-RILEY	2.3628	.239697	.132746	.259264
019-RILEY SAN	2.6535	.214017	.118203	.224675
020-TOWN OF RILEY	2.6365	.233787	.118965	.276212
021-SUGAR CREEK	2.4962	.233514	.125651	.259363
022-WEST TERRE HAUTE	3.6973	.216476	.084829	.309664
023-T.H. RILEY	3.9701	.204455	.079000	.290671
024-LINTON SANITARY	2.6851	.209944	.116811	.217261
025-FAYETTE NEW GOSHEN FIRE	2.2715	.243653	.138081	.257259

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2007 TAX RATE, PERCENT OF STATE PROPERTY TAX REPLACEMENT CREDIT AND PERCENT OF HOMESTEAD CREDIT
(Per Taxing District)

TOWNSHIP	DISTRICT RATE	REPL CR	BUS REPL	HMST REPL
001-FAYETTE	2.2191	.274631	.155222	.134180
002-HARRISON	3.9149	.232619	.087985	.153628
003-HONEY CREEK	2.3283	.266056	.147942	.131173
004-HONEY CREEK SAN	2.5812	.240480	.133447	.114865
005-T.H. HONEY CREEK	3.8800	.232822	.088777	.153043
006-LINTON	2.2120	.275907	.155720	.135292

TOWNSHIP	DISTRICT RATE	REPL CR	BUS REPL	HMST REPL
007-LOST CREEK	2.2118	.277461	.155735	.137320
008-LOST CREEK SAN	2.4647	.249506	.139755	.119199
009-T.H. LOST CREEK	3.8985	.232712	.088356	.153351
010-SEELYVILLE	2.6634	.245933	.129327	.126045
011-NEVINS	2.2266	.274985	.154699	.135232
012-OTTER CREEK	2.2095	.275327	.155897	.134332
013-OTTER CREEK SAN	2.4624	.247565	.139885	.116647
014-T.H. OTTER CREEK	3.8871	.231762	.088617	.153327
015-PIERSON	2.2207	.274597	.155110	.134261
016-PRAIRIE CREEK	2.2411	.275089	.153699	.136493
017-PRAIRIETON	2.3442	.273648	.146938	.142190
018-RILEY	2.2697	.272739	.151762	.135588
019-RILEY SAN	2.5226	.245897	.136546	.118196
020-TOWN OF RILEY	2.5197	.266429	.136712	.144137
021-SUGAR CREEK	2.3433	.273907	.146995	.142469
022-WEST TERRE HAUTE	3.2589	.255812	.105695	.164419
023-T.H. RILEY	3.8906	.232752	.088540	.153224
024-LINTON SANITARY	2.5934	.239990	.132819	.114935
025-FAYETTE NEW GOSHEN FIRE	2.2362	.275093	.154035	.136120

INDIANA'S CREDIT RATING HITS HISTORIC MARK

Press Release

NEW YORK July 18, 2008 – Standard & Poor's Ratings Services raised its issuer credit rating on the state of Indiana to AAA from AA+, reflecting the strong management that has led to improved financial performance and position.

In particular, "property tax reform has realigned state and local spending, clarified the state's responsibilities, and is not expected to impact the state's long-term financial performance," said credit analyst Eden Perry. In addition, "budgeting practices have been strengthened under this administration," she said.

Other positives that the agency noted were:

- Indiana has a stable and diversifying economic base which is becoming less concentrated in manufacturing;
- Its fund balance will grow by the end of the biennium even as it gets caught on up delayed payments to local governments; and
- The state's overall debt is low.

Source: Standard and Poor's

Press Release

INDIANAPOLIS (July 21, 2008) – For the first time in the state's history, Indiana's credit rating has been raised to AAA, the highest rating assigned by the independent credit rating agency Standard & Poor's Ratings Service (S&P).

The upgrade from AA+, the state's rating since January 2006, "reflects the state's continued strong management that has led to the property tax reform that has realigned state and local spending and is not expected to impact the state's long-term financial performance. As well, the state's commitment to attract diverse jobs through its economic development efforts has translated into a shift away from traditional manufacturing employment," said the credit agency.

"The experts have certified what Hoosiers know, that Indiana has turned around fiscally and is turning around economically. But our own history and the current tumbles of other states show that continued careful management is key, because it's too easy for these gains to slip away," said Governor Mitch Daniels.

The rating increase means, for example, that 228 of the state's school corporations can borrow money at a lower interest rate.

The report said the administration has made significant financial management changes and strengthened budgeting practices. S&P cited four areas in issuing the AAA credit rating: stable and diversifying economic base despite continued manufacturing concentration; a conservative biennial budget that will add to the fund balance by the end of the biennium; property tax reform that has clarified the state's financial responsibilities, and low overall debt levels.

Florida, Georgia, North Carolina, Delaware, Virginia, Maryland, Minnesota, Missouri and Utah also have a AAA S&P rating.

Between 2002 and 2004, Indiana's rating was lowered twice. Beginning in June 2005, it has been raised three times. Indiana's rating history since 1997:

- December 18, 1997 to January 18, 2002, AA+ stable
- January 18, 2002 to January 20, 2004, AA+ negative
- January 20, 2004 to June 29, 2005, AA stable
- June 29, 2005 to January 23, 2006, AA positive
- January 23, 2006 to July 19, 2008, AA+ stable
- Beginning July 19, 2008, AAA

Source: Office of the Indiana Governor

COMPUTERS AND SUPER COMPUTERS

Bernard assigned this story to me, Susan Clements, Administrative Assistant and Go-Fer. It brought back some memories. A few years ago, I was teaching computer science at Terre Haute South, and one of my students was Matthew Hoxworth, now an employee of the Taxpayers Association, IT Analyst, and another Go-Fer! The year was 1999–2000 and we were anxiously awaiting the occurrence of "Y-2K." Because we were computer enthusiasts, the conversation came up daily. What happened–all the computers in the lab were reset to 19:0 and a quick fix repaired everything.

If only we would have been using IU and Purdue's supercomputer, the IBM e1350 BladeCenter cluster, capable of **20 trillion mathematical calculations per second**, we probably would not have had to worry about our trivial problem.

Why would we include this in today's Tax Matters? The reason is that businesses may apply to use this supercomputer. Several pilot projects have been completed with Indiana-based companies, and through this experience, its use is open to Indiana's private sector. Access is being provided as part of the Indiana Initiative for Economic Development (IIED), a partnership designed to foster technology development and job growth in the state.

For more information, visit the new website at www.iiecdev.org.

LETTERS TO OUR LEADERS CAMPAIGN

The board of directors of the Indiana Chamber of Commerce launched a public policy campaign focusing on the two major candidates for governor. Each week, July 8 to August 26, the focus was on a different key issue. The program, "Letters to Our Leaders," contained specific calls to actions and strategies for consideration in the weekly letter.

Letters were published on Local Government Reform, Environment and Energy, Education, Labor Environment, Workforce Development, Health Care and Tax Climate. These letters may be found on the Indiana Chamber web site, www.indianachamber.com/letters.

BAD NEWS – GOOD NEWS

The bad news–property tax bills are out and they reflect an increase in assessed value due to trending for most taxpayers. When you received your 2007 pay 2008 property tax statement in August, it included new property tax assessment values. No other letter to this effect will be mailed. Postage dollars will have been saved.

The good news–the homestead credit has increased. The following chart has changed slightly due to HB1001 kicking in an additional portion of the Homestead Credit to the tune of 27.8388%.

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(Per Taxing District)

TOWNSHIP	DISTRICT RATE	REPL CR	BUS REPL	HMST REPL + HB 1001
001-FAYETTE	2.2573	.242539	.138949	.530443
002-HARRISON	3.9965	.204332	.078481	.569907
003-HONEY CREEK	2.3856	.235284	.131477	.528578
004-HONEY CREEK SAN	2.6763	.210302	.117196	.495688
005-T.H. HONEY CREEK	3.9597	.204516	.079211	.568708
006-LINTON	2.2300	.245175	.140650	.533606
007-LOST CREEK	2.2426	.245915	.139860	.537598
008-LOST CREEK SAN	2.5333	.218303	.123812	.501178
009-T.H. LOST CREEK	3.9783	.204422	.078840	.569316
010-SEELYVILLE	2.7574	.214884	.113750	.515809
011-NEVINS	2.2564	.243913	.139005	.534115
012-OTTER CREEK	2.2369	.244266	.140217	.532140

TOWNSHIP	DISTRICT RATE	REPL CR	BUS REPL	HMST REPL + HB 1001
013-OTTER CREEK SAN	2.5276	.216781	.124090	.496506
014-T.H. OTTER CREEK	3.9668	.204422	.079071	.568414
015-PIERSON	2.2786	.240180	.137650	.527090
016-PRAIRIE CREEK	2.2623	.244245	.138642	.535921
017-PRAIRIETON	2.3694	.242654	.132376	.546761
018-RILEY	2.3628	.239697	.132746	.537652
019-RILEY SAN	2.6535	.214017	.118203	.503063
020-TOWN OF RILEY	2.6365	.233787	.118965	.554600
021-SUGAR CREEK	2.4962	.233514	.125651	.537751
022-WEST TERRE HAUTE	3.6973	.216476	.084829	.588052
023-T.H. RILEY	3.9701	.204455	.079000	.569059
024-LINTON SANITARY	2.6851	.209944	.116811	.495649
025-FAYETTE NEW GOSHEN FIRE	2.2715	.243653	.138081	.535647

ASSESSED VALUE UP, ASSESSED VALUE DOWN

The assessed valuation of Vigo County has grown the past two years. This is good for property taxpayers. The higher the valuation, the smaller amount we must pay to meet the levy. Unfortunately, due to several conditions–property moved from the tax roll to not-for-profit status, assessed values being lowered due to flooding, and industries moving out or closing–the AV is projected to be much lower for 2009.

The following historical chart is a review of Vigo County assessed valuations and was included in a budget presentation by Donna Wilson, Chief Financial Officer of the Vigo County School Corporation. Her figure of $3.2 billion for 2009 was based on information provided by the Department of Local Government Finance.

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%**
Projected 2009	**$ 3,213,671,911**	**-20.00%**

*Vigo Count exempted property amounts to $951,000,000 bringing the total to $4.9 billion.

TAXPAYER SUBSIDIES TO POLITICAL CONVENTIONS

Recently, the Democratic and Republican parties held their conventions in Denver and Minneapolis, respectively. At least $66 million of operating expenses in these conventions is on the taxpayers' tab. Is it really necessary?
Full article from the Taxpayers for Common Sense here - http://www.taxpayer.net/search_by_category.php?action=view&proj_id=1203&category=Wastebasket&type=Project

SUPPORT OUR COLLEGES – THEY SUPPORT US

School is in session. How many students are attending college in Vigo County and spending many $$$ in our community? We did a little research…
Approximate enrollment figures (according to online data) for the various post-secondary institutions in our community are:

Indiana State University	10,700
Ivy Tech Community College	4,800
Rose-Hulman Institute of Technology	1,900
St. Mary-of-the-Woods College	1,700
Indiana Business College	300

Whether the students are on-campus, living at home, or taking classes online, they are still contributing monetarily to the university and the community. Those living on campus are supporting many local businesses.

How can we support these institutions other than direct financial support? We can attend classes, sporting events, speaking engagements, concerts, plays, and many other types of entertainment or educational programs open to the public.

TOP TEN UNINTENDED CONSEQUENCES OF PROPERTY TAX CAPS

The following was an editorial by Mark Cahoon, Vice President of Government Finance and Economic Development of the Indiana Manufacturers Association. This article describes Dr. Larry DeBoer's presentation at the last IMA Tax Committee meeting. This was found in the August 2008 issue of IMANET.

Dr. Larry DeBoer, an agricultural economist at Purdue and a consultant for the Indiana General Assembly's Legislative Services Agency, is one of Indiana's leading authorities on property tax issues. At a recent meeting of the IMA Tax Committee, Dr. DeBoer discussed his "top ten list" of issues that were not discussed during the property tax debate but that will be impacted by the passage of the property tax bill.

That bill initiated property tax caps of one percent of gross assessed value for homes, two percent for rental units and farms and three percent for business properties. No property can exceed its cap. Any amount of tax above the cap is credited to the property owner, thereby reducing taxes collected by local government. As a result, numerous local government tax and budget procedures will change. Here is Dr. DeBoer's list:

1. Interdependent budgets. Historically, all local governmental units have set their tax rates independently with the sum of those tax rates totaling what taxpayers pay. Under the new law, if the sums of all tax rates are high enough, taxpayers will be eligible for tax cap credits, and local government revenues will be reduced. Losses will be divided up among the local units based on shares of the tax rate. Going forward, each taxing unit's budget decisions will affect the revenues received by all other taxing units in the county. Units can't know how much revenue they'll receive until all units have set their budgets and tax rates. From now on, no one can budget until everyone budgets.

2. Complexity of tax and budget analysis. To plan for potential tax cap hits, all taxing units will need tax and budget projections and analyses. What these analyses need to include are a summing up of the tax rates by district to obtain an estimate of the tax cap impacts so each unit can know how much revenue it has to work with. This is a complex task. Local governments must calculate the estimated tax bills on every real and personal property parcel in the county to do this—essentially a simulated tax billing. They have never before had to do these types of projections for planning purposes.

3. Local income tax strategy. There is now more flexibility for county governments to increase local income taxes to either reduce the growth of property taxes or to simply reduce property taxes. Counties have until the end of one year to adopt income tax increases for the next year. Local income taxes that reduce property taxes will make fewer parcels eligible for tax cap credits. Lower tax cap impacts, in effect, mean added revenues. The new tax caps turn the local income tax, if invoked for property tax relief purposes, into a property tax revenue raiser. This presents a strategy question: Counties can target the property tax relief in any way they deem advantageous. But which relief distribution method should be used? Should relief be distributed to homeowners, homeowners plus rental housing owners, or to all property owners? One will produce the biggest decrease in tax cap impacts. Which one depends on which types of properties are most affected by the tax caps. But how do county councils know which ones they are? There's that complex analysis again.

4. Referenda risk. For civil governments, capital projects of less than $12 million are subject to the old petition-remonstrance procedure. Projects worth more are subject to the new referendum procedure. Tax rate increases that result from a passed referendum are not factored into tax cap limitations. Those subject to remonstrance are covered by the limits. The expectation is that referendum projects will be harder to pass. Thus, local governmental units can take the (more certain) lesser amount, i.e. keep the project under $12 million, be almost certain to have it approved but faced with tax cap losses. Conversely, they could go big and take the referendum chance but be rewarded with no tax cap hit if it succeeds.

5. Bond issue risk. As counties move away from property taxes and fund more operations through local income taxes, smaller projects inside the tax cap (see above) may be viewed as riskier by bond buyers because the full amount of the debt service may not be collected from the property tax. Added risk may mean higher interest rates and higher bond insurance payments. This may be another reason to build big, as projects outside the cap may have lower interest rates.

6. Property tax vulnerability to recession. Just how stable will property tax revenues be? Consider the interaction of tax caps and annual reassessments (trending). Recession brings down property values. There is a two-year lag time in the trending process so trending reduces assessments, but only after a couple of years. Historically, tax rates would rise to offset assessment drops, allowing the collection of the full levy. But lower assessed values and higher rates mean more tax cap credits for local governments. This means property tax revenue losses for local government due to recessions.

7. Assessment practice high stakes. Assessment practice matters for taxpayers since assessed value sets the maximum tax bill. Taxpayers pressure assessors for lower assessments. That's always been true though. What's new? Higher assessed value means fewer tax caps hits, lower tax rates and, therefore, fewer tax cap losses for local governments. All local governments will now have an interest in seeing property not under-assessed. Assessors may be squeezed between taxpayers who want lower assessments, and local officials who want higher assessments. Between them, maybe we'll get more accuracy.

8. Tax incremental financing (TIF) and abatement decisions may affect revenues. If an area that will grow anyway (and how do you ever know that) is TIFed or if the property tax is abated, assessed value is lower and tax rates are higher than they would have been. That's a recipe for higher tax cap credits. Revenue that could have been collected is not, and the budgets of local governmental units are directly impacted.

9. Annexation. When a city/town annexes territory, it adds an extra layer of tax rates to additional taxpayers. Those taxpayers may be eligible for tax cap credits, and those governmental revenue losses will be divided among the overlapping governments. Schools, the county and others will lose revenue from city/town annexation.

10. Low-Cost transfers for Indiana Schools. This is a non-tax cap consequence. Parents have the right to send their children to any school that will accept them if they pay the transfer tuition. The transfer tuition calculation is based on the "local share" of the operating expenses of educating a student. The state takeover of the school general fund property tax will reduce this local share to near zero. If tuition is free, does that mean parents are free to ignore school boundaries when deciding where their children should go to school, as long as the receiving school will accept them?

ASSESSMENT AND APPEAL INFORMATION

The following statement was in an insert that was mailed with every county tax bill. It should give you information on how to appeal the assessment of your property. Before formally appealing your assessment, I suggest that you talk to the County Assessor. Many common errors can be easily solved here.

Under IC 6-1.1-4-22 and 6-1-1-15-13 the tax bill may serve as notice of assessment. You have the right to appeal this assessment by submitting a letter (in lieu of official form) to the Township Assessor or County Assessor within 45 days of the date the tax bill was mailed.

The letter must include name, address, and telephone number of the taxpayer and the parcel number and property address under appeal. An additional written request may be made for a conference with the assessor.

The tax bill shows the new assessed value of your property, adjusted to reflect market value for January 1, 2006 due and payable 2008. Sales data from 2005 and 2006 state mandated sales disclosure forms were used to calculate how much or how little to trend the valuation in each area, which is then applied to the assessment.

Please look at your total assessed value. This value should be near the market value of the property. If it is significantly more, you may want to discuss your assessment information with the County Assessor's Office or Harrison Assessor's Office. A copy of the property record card may be obtained from the assessor or on our website: www.vigocounty.org/assessor.

Deborah Lewis
Vigo County Assessor
189 Oak Street, Terre Haute, IN 47807
812-462-3358

Mick Love
Harrison Township Assessor
191 Oak Street, Terre Haute, IN 47807
812-462-3371

TAX CAPS AND GAPS

The feedback we have had concerning the one, two, and three-percent tax caps to be implemented in 2009 has been positive. The concept is highly accepted. The negative is having three levels or classes, which lead to unfair taxing. At this time, the TA position will be to support a lowering of the two and three-percent caps for apartment dwellings and businesses, respectively.

A second problem is that the current plan allows for reasonably fair assessments but does not provide equal services. For example, property taxes pay for trash removal in the city of Terre Haute, but in the county, trash removal is paid by the property owner in addition to taxes. This amounts to over $280 per year in most cases.

It appears that many hours of dialog will occur during the 2009 Indiana legislative session concerning changing the Indiana constitution tax code, whereby 1%, 2% and 3% caps on residential, residential rental (4 units) and commercial property, respectively, would become permanent.

The concept is acceptable, but the gap between property types is too large. If lower cap percentages are to be proposed by this organization, what do you feel would be fair? Should there be different caps? Should the state lock in on one cap for all types and let the trended AV be the variable.

If the above doesn't happen, should the definitions of property types be addressed? For example, why should a person pay 2% on a residential home that is lived in rent free by a elderly parent or a disabled child simply because the person is the owner instead of the parent or child?

SOMETHING TO THINK ABOUT

On September 7, 2008, the Indianapolis Colts had their first game at the new Lucas Oil Stadium. The stadium cost **$750 million**.

The net assessed value of Vigo County (all **land and buildings** less exempted property) is **$4.1 billion**.

The cost of Lucas Oil Stadium represents **18.3%** of the current trended AV of Vigo County. Something is wrong with this picture!

THE ELECTORAL COLLEGE

In less than two months, we will vote for people for representation in government. We will also hear frequently about the Electoral College. But do you really understand how the Electoral College works? Do you know the history of the Electoral College and how it has determined our history? Here are two articles that thoroughly explain the Electoral College and arguments for and against it.

Wikipedia article - http://en.wikipedia.org/wiki/U.S._Electoral_College

William C. Kimberling article - http://www.fec.gov/pdf/eleccoll.pdf

IMPACTS OF PROPERTY TAX REFORM

The Center for Urban Policy and the Environment gave observations of our state's property tax reform in an August 2008 publication. They listed some positive and negative indirect effects of HEA 1001:

POSITIVE

- Lower expected property taxes may lead to higher purchase prices for homes, assuming other factors do not negatively affect housing prices (such as differences in taxes between nearby jurisdictions having different property tax rates).
- A decrease in foreclosures may result from reduced annual housing costs.
- Economic development may be stimulated because tax caps provide a

degree of predictability for business owners.
- New constraints may cause local governments to find lower cost alternatives to current service provision.

NEGATIVE

- The use of Tax Increment Financing (TIF) as an economic development tool may be limited for some local governments as a result of revenue constraints.
  - Proponents of TIF argue that if it wasn't for the TIF, investments leading to the new assessed value would not occur. However, in some communities, school districts and other taxing units have objected to the use of TIF, arguing that it directs revenue away from their unit. In a more constrained revenue environment created by the property tax reform, it would not be surprising that such contention over the use of TIF might increase.
- There may be pressure to increase county income taxes and to impose new or increased current user fees.
- Residential and business location decisions may be affected if local governments are forced to reduce desired local government services.
- The competition between local governments may increase for types of development that produce the greatest amount of property tax revenues.
- Assessments may be inflated to increase the tax base so budgets remain below the tax rate caps.

Full article - http://www.policyinstitute.iu.edu/PubsPDFs/Property%20Tax%20Reform.pdf

CITIZENS GUIDE TO PROPERTY TAX AND MORE

The Department of Local Government Finance is responsible for making sure that local property tax assessments and budgeting follow the law. It is also responsible for reviewing and approving the tax rates. The DLGF web site has many articles of interest to the public. Today, we are suggesting that you access an article titled "Citizens Guide to Property Tax." This article answers several commonly asked questions such as "Where are my property tax dollars going?"; "What is Trending?" and "How do I find out when and where local budget hearings will be held?"

Full article: http://www.in.gov/dlgf/2516.htm

"A tax loophole is something that benefits the other guy. If it benefits you, it is tax reform."
— Russell B. Long, former U.S. Senator

Table of Contents of Tax Matters Issues 08-26 through 08-38

Just in case you wish to refer to a previous issue of Tax Matters and need some help locating a particular topic, you may refer to the table below. Many of the topics are also included in an issue of Tax Topics. This issue of Tax Topics includes Tax Matters through September 18, 2008 and this table does the same. The next issue will continue from this point.

UPCOMING IMPORTANT DATES

TA Board – November 18, 2008

TA Board – January 20, 2009

TA Board – March 17, 2009

TA Annual Meeting – May 19, 2009