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**FISCAL IMPACT STATEMENT**

**LS 7061**

**BILL NUMBER:** HB 1603

**NOTE PREPARED:** Jan 21, 2015

**BILL AMENDED:**

**SUBJECT:** Property tax appeals.

**FIRST AUTHOR:** Rep. Smaltz

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Deadlines:* This bill provides that when a deadline imposed upon a political subdivision, the Department of Local Government Finance (DLGF), or the Indiana Board of Tax Review (IBTR) in the property tax statutes is not a business day, the last day for the political subdivision, the DLGF, or the IBTR to take the action required is the first business day after the stated deadline.

*Appeal Deadline:* The bill extends the deadline for filing a notice of review when a notice of assessment is not provided from the later of May 10 or 45 days after the date of the tax statement to the later of May 10 or 60 days after the date of the tax statement.

*Annual Reports and Notices:* The bill provides that affected taxing units are entitled to a quarterly status report concerning property tax appeals and are permitted to participate in each stage of an appeal.

*Assessment Appeals Account:* The bill specifies that disputed assessed value under appeal is subtracted from the net assessed value of a taxing district. It requires a county treasurer to establish a separate account known as the property tax assessment appeals account to hold certain disputed property tax receipts. It provides that money in the account may be used only to pay a county assessor's appeal expenses and property tax refunds.

*IBTR Expansion:* The bill expands the IBTR from three to nine members. It divides Indiana into three districts each served by a three member panel of the IBTR.

**Effective Date:** January 1, 2016.

**Explanation of State Expenditures:** *IBTR Expansion:* This provision will increase state expenses by a

minimum of \$800,000 per year, beginning in CY 2016. The bill adds six members to the IBTR. At current board member salary plus the cost of benefits, the additional IBTR members will cost about \$800,000 per year. Personnel costs could rise even higher if the IBTR needs additional support personnel for the new members.

The IBTR could also incur additional costs for space. The bill permits a district panel to conduct hearings in a county seat within the district or at a location mutually agreed upon by the taxpayer and the assessor. If the district panels are able to conduct appeals in county offices, then there may be no cost for space. If, however, the panels must rent space, then the cost of rent will be an added state expense.

The IBTR is currently funded from the state General Fund.

### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Appeal Reports and Notices:* This provision will increase administrative burden, and possibly postage costs, for local assessors and county auditors. This bill will require local assessors to notify the county auditor when they receive a request for an informal hearing. The auditor, in turn, will notify the affected taxing units. The fiscals officers of the affected taxing units may participate in the informal meeting and each successive stage of a review. The number of appeals filed locally is not known.

Under current law, after the county auditor receives a hearing notice from the IBTR, the auditor must notify any taxing unit for which the disputed value is at least 1% of the total gross AV in the unit. Under this bill, the county auditor must notify all affected taxing units.

*Assessment Appeals Account:* This provision will reduce expenses from the county general fund. Under current law, the cost of defense in a property tax appeal is paid from the county general fund. Under this bill, county appeals expenses will be paid from the county's assessment appeals account.

This bill also requires county assessors to send a quarterly notice to each taxing unit with up to date information about pending appeals that affect the unit. The notice may be provided in an electronic format. This provision will increase administrative burden for local assessors.

**Explanation of Local Revenues:** *Assessment Appeals Account:* This provision will reduce taxing unit revenue by an indeterminate amount.

Each year the county auditor must certify a taxing unit's net assessed value for use in setting tax rates. Under current law, the county may reduce certified AV to account for property tax appeals that may be successful. The auditor cannot reduce certified AV by more than 2%.

Also under current law, taxpayers with assessments under appeal receive a tax bill based on the assessor's original AV. The taxpayer has the option to pay the entire amount due or to pay based on the previous year's assessment. If a taxpayer pays the full tax due and then prevails at appeal, the taxpayer receives a refund with interest. The refund is deducted from taxing units' current year tax distributions. Taxpayers who don't prevail and pay less than the full amount due must pay the additional amount due with interest. These payments are distributed to taxing units along with their current year tax distributions.

Under this bill, the county auditor will be required to reduce certified AV by the amount of disputed AV in

all appeals. The 2% adjustment limit will no longer apply to appeals. If the disputed AV in a taxing district is more than 2% of the total net value, then this bill will cause the certified AV to be lower than under current law. The lower certified AV will cause an increase in tax rates. Higher tax rates will result in additional revenue losses for civil taxing units and school corporations due to circuit breakers.

The bill creates a new account called the assessment appeals account. In cases where the taxpayer pays taxes based on the original assessment, the portion of the payment attributable to the disputed assessment will be deposited into the account rather than distributed to the taxing units. Money in the account is to be used to defend appeals and to provide refunds due taxpayers who prevail in appeals. The net effect of this account is that taxing units will share in the expense for defending appeals.

**State Agencies Affected:** Indiana Board of Tax Review; Department of Local Government Finance.

**Local Agencies Affected:** Local assessors; County auditor; Civil taxing units and school corporations.

**Information Sources:**

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