Information for Indiana is a collaborative project launched by Governor Mitch Daniels in July 2005. It brings together government, university, and private resources in an effort to build a solid foundation of data and analysis for informed decision-making statewide. The objective of IFI is to work with internal and external partners to assess, improve, and coordinate the collection, management, dissemination, and analysis of vital data for Indiana. For more about Information for Indiana, see the back page of this report and/or visit the project website at www.ibrc.indiana.edu/ifi.

IFI is a joint project led by the Office of the Governor, the Center for Urban Policy and the Environment, and the Indiana Business Research Center in cooperation with the Indiana Geographic Information Council, Purdue University, and Ball State University. In July 2005, the Lilly Endowment, Inc., generously provided an award of support to the Center for Urban Policy and the Environment to facilitate and coordinate the efforts of the IFI Project. This, combined with a planning grant from the Lilly Endowment, Inc. to the Indiana Business Research Center and a number of other funded projects, contributes to the collaborative efforts of IFI partners. The partnership is expanding to include new members in the future.

Uses of Property Tax Data for Policymakers, State Agencies, and Taxpayers

Author: Larry DeBoer, Ph.D, Professor of Agricultural Economics, Purdue University

What are the Issues?

The Indiana Supreme Court declared Indiana property tax assessment procedures unconstitutional in December 1998. The decision effectively required the state to move to market value assessment. Since then, the state’s property tax administration could be described as chaotic. It doesn’t have to be that way. More data, more easily available to more people, could help.

Property tax data is not just an academic issue. Easily available information about property tax assessments and tax bills could make for better tax policy by the legislature and better administration of the tax and assessment system by state and local officials. It also could help taxpayers reduce their tax bills.

What Property Tax Data are Available for Policymakers and Researchers?

In December 1996, two years before the Supreme Court’s market value decision, a group of Indiana University and Purdue University researchers presented the General Assembly with a prediction: If the state moves to market value assessment and nothing else is done, the average homeowner will see a tax bill increase of more than 30 percent. The report made headlines.

The General Assembly had authorized the research project in 1993. To aid the research, the legislature created sales disclosure forms, a requirement that buyers and sellers file information about the property and its selling price with their county governments. The researchers would then compare current assessments to selling prices to discover how assessed values and tax bills would change if properties were assessed at their market values.

It was easier said than done.

Only 5 to 10 percent of the sales disclosure forms reported accurate parcel identification numbers, so that they could be matched with the property record cards that contained assessment information. Complex computer matching programs were developed that allowed about half of the disclosure forms to be used.
Only half of the counties and their vendors could or would provide computer-readable property record card data. Even when available, the data were in many different formats. Eventually, results for 47 counties were published (State Board of Tax Commissioners, 1999). The project took six years.

But the results were vitally important for policymakers. The study:

- warned the General Assembly of the coming tax shift to homeowners, allowing consideration of tax relief measures before the fact;
- provided a model that was used by the Department of Local Government Finance (DLGF) to examine the potential effects of variations in market value assessment rules;
- provided a model used by the Legislative Services Agency to analyze the General Assembly’s 2002 tax restructuring proposals, which included changes in existing tax credits, a new deduction for homeowners, and elimination of the property tax on inventories.

The General Assembly recognized the need for more and better data, and authorized the Department of Local Government Finance (DLGF) and the Legislative Services Agency (LSA) to acquire property record card data, parcel by parcel, from the counties. DLGF was given authority to withhold property tax relief payments if counties did not comply. Then the legislature asked LSA some questions. What happened during the 2002–2003 reassessment? Which taxpayers in which counties paid more, and which paid less? What were the effects of tax restructuring on tax bills?

Data had improved since the 1990s, but still the project took years. The results were available only in July 2005. LSA reported that there were 14 different information systems used by assessors to keep assessment records, 17 different systems used by auditors to keep tax records, and 20 unique combinations of assessor and auditor systems. LSA needed programs to handle each one. Usable data were acquired from 72 counties, and were expected from 10 more. In 10 others, the data were unlikely ever to be available, because the counties would not cooperate or their systems could not produce readable data.

Yet, once again, the results of the study were of great use to policymakers. The study showed that owners of older homes, owners of rental property, and owners of farm land saw the biggest tax hikes during reassessment. Industry and utilities saw the biggest tax cuts. It showed in which counties most homeowners saw increases, and in which counties most saw decreases. And it showed that, without tax restructuring, almost all homeowners would see large tax bill increases.

Legislators have begun asking questions about the effects of property tax policies passed since 2003. And they are asking for forecasts of future property tax trends and for analyses of new property tax proposals. It is clear that LSA will need county parcel data annually from now on.

State Administrative Oversight

In a market value assessment system, some local elected assessors may be tempted to under-assess property. This could be for the benefit of a particular class of property, for example, if homes are under-assessed relative to nonresidential property. Or, all property could be under-assessed, which would then disguise assessment errors. A home that is under-assessed to a smaller degree than other property would pay too much tax. Yet the homeowner would be unlikely to appeal, recognizing that the assessment is low. Some taxpayers benefit. Others bear the consequences. Assessment uniformity suffers.

The remedy for this problem is state oversight. In Indiana, this oversight is the responsibility of the Department of Local Government Finance. Oversight is accomplished, in part, through county-by-county comparisons of local sales prices and assessed values in an equalization study. Researchers hired by DLGF have recently completed such a study (Indiana Fiscal Policy Institute, 2005).

The equalization study ran into the same data problems as the market value study and LSA. The researchers wrote:

“The study found that counties do not adhere to required data standards. The DLGF has issued extensive specifications for the transmittal of data to the State. Unfortunately, the study found widespread non-compliance with the regulations. Inconsistencies abound between the State and counties; even within counties, assessors and auditors often use different data structures and data maintenance systems. Moreover, counties have not complied with the law requiring the submission of all sales disclosure forms (SDFs) to the State. Without the collection, evaluation, and storage of market value information, the market value assessment process breaks down.” (Indiana Fiscal Policy Institute, Executive Summary, p. ii)

The study found a mixture of good and bad assessment practices in Indiana, with much room for improvement. DLGF, as the oversight agency, could help bring about this improvement, using the equalization study’s results.

- DLGF could identify where property is under- or over-assessed, and order equalization factors to be applied.
- DLGF could use evidence of inaccurate assessments to identify local assessors who are in need of assistance, to improve assessment quality.
- Results for assessment levels and uniformity could help DLGF revise its assessment guidelines by showing where the guidelines produce accurate assessments and where they do not.
- Better state oversight and better data could allow counties to improve their own equalization studies, which are required before tax rates can be certified.
- Results from the equalization study could be used to calculate the school assessment ratio factors that are required for the school aid formula.
What is the Status of Property Tax Administration in Other States?

Some states meet high standards for their property tax data systems, but Indiana appears to be among a large number of states still struggling with this issue. The International Association of Assessing Officers (IAAO) surveyed states about their assessing practices (IAAO, 2000). Twenty states said that they either provide data processing services to local assessors, or provide software. Ten states (including Indiana) said that they regulate or approve computer systems. Most states need to improve their data practices.

IAAO publishes standards of “best practice.” In its standard on public relations, the IAAO advises local assessors to use the internet to communicate with taxpayers. A good website, the IAAO says, should include records of “ownership, property characteristics, sales history and valuation” (IAAO, 2001).

Most states do not meet this standard. According to the IAAO’s 2000 survey of assessing practices (IAAO, 2000), in only 12 states do all local jurisdictions make computerized tax records available to the public. In 12 others (including Indiana), some local jurisdictions meet this standard. Certainly, in the years since the survey, more localities have joined in making such information available. But just as certainly, in most places in the United States, these data are not available on-line.

What Would Be the Policy Impact of Improved Data on Property Owners?

An e-mail arrived from a friend of a friend. The newspaper had reported the results of the LSA study showing that half of all homeowners had seen tax decreases due to reassessment. Not so, said the e-mail—the taxes on my home went up by hundreds of dollars.

The taxpayer was in luck. The home was in Tippecanoe County, and Tippecanoe is one of the few counties in Indiana to put property tax assessment and billing data on-line (Hamilton and Vanderburgh are others). A look at the data for this home showed that it was not receiving the homestead deduction and credit. The taxpayer was advised to apply for this tax relief at the County Auditor’s Office.

Indiana’s property tax system gets more complex every year. Most homeowners with mortgages never see their property tax bills. The bills go to their banks instead. With no easy way to check, it is likely that thousands of taxpayers fail to receive property tax relief for which they qualify. In Hamilton, Tippecanoe, and Vanderburgh counties, though, every property owner can check their assessment and tax bill information on-line.

In the confusion of reassessment, and with the large tax hikes experienced by some property owners, taxpayers may be forgiven for missing the point of market value assessment. Under market value, assessments are predictions of property selling prices. Anyone with an idea about his or her property’s value can check assessment accuracy. Market value allows the taxpayer to audit the assessor.

This is a vital part of a market value system. Property owners monitor assessors for over-assessment. The state oversight agency monitors assessors for under-assessment. Squeezed from above and below, assessors work harder to achieve uniformity.

The state oversight agency has access to local data. If property tax data is on-line, so do property owners. On-line data allows property owners to:

- check to be sure they are receiving the deductions and credits for which they qualify;
- check the assessment of their property even if the notice received by mail has been lost or forgotten;
- develop an appeal, by comparing sales prices and assessments of property in their neighborhood.

Who Benefits From Improved Property Tax Data?

Academic researchers love good data. They often produce useful research with such data, research that can provide important information to policymakers and taxpayers.

But the case for more and better property tax data, more widely available to more people, does not rest with academia. Policymakers must have good data to make good tax policy. State agencies must have good data to oversee and improve the tax system. And perhaps most important, taxpayers must have good data to take full advantage of the policies that legislatures pass and agencies implement.

Sources


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This publication is one of a series of subject area issue briefs authored by project steering committee members and other contributors who have been engaged to support the IFI project work through activities such as conducting case studies and assisting in pilot project initiation and implementation. Support for these publications is generously provided by the Central Indiana Corporate Partnership.

An electronic copy of this document can be accessed via the Center website (www.urbancenter.iupui.edu), the IFI project website (www.ibrc.indiana.edu/ifi), or you may contact the Center for Urban Policy and the Environment at 317-261-3000.

IFI Partners
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The Office of Governor Mitch Daniels
Governor Daniels launched this initiative in July 2005 to bring together government, university, and private resources in an effort to build a solid foundation of data and analysis for improved policy-making and administrative decision-making by private and public leaders statewide. Governor Daniels briefed his cabinet on the IFI Project and specifically requested their full support for the project. The Governor’s personal commitment to IFI’s goals and objectives has greatly facilitated cooperation from agency directors and senior staff. Meetings with key state agencies that collect and use large amounts of data have already uncovered possibilities for working with the project team to enhance their capacity to collect and manage data that is valuable to stakeholders both within and outside of state government.

The Center for Urban Policy and the Environment
The Center for Urban Policy and the Environment is devoted to supporting economic success for Indiana and a high quality of life for all Hoosiers. An applied research organization, the Center was created by the Indiana University School of Public and Environmental Affairs in 1992. The Center works in partnership with community leaders, business and civic organizations, nonprofits, and government. Center faculty and staff combine facilitative and interdisciplinary research skills to assist communities and organizations in developing and implementing effective programs to achieve their goals. Much of the Center’s work is focused on strategies to strengthen Indiana’s economy and quality of life.

The Indiana Business Research Center
Based at Indiana University’s Kelley School of Business, the IBRC has provided essential economic and demographic data and analysis for more than 80 years. The IBRC is the state’s official representative to the U.S. Census Bureau, the generator of official population projections for Indiana and its counties, and a key partner with federal and state government agencies, businesses, and economic development organizations in making economic information and insightful analysis available to public and private sector leaders and decision-makers.

ADDRESS SERVICE REQUESTED

342 North Senate Avenue
Indianapolis, IN 46204-1708
www.urbancenter.iupui.edu