

TAX MATTERS

AUGUST 21, 2008, Issue #08-34, by Bernard Ridens, Executive Director
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1. SUPPORT OUR COLLEGES – THEY SUPPORT US

2. TOP TEN UNINTENDED CONSEQUENCES OF PROPERTY TAX CAPS

3. PUBLIC MEETINGS

REVIEW OF PAST TAX MATTERS

AUGUST 14, 2008 (#08-33)

- ASSESSED VALUE UP, ASSESSED VALUE DOWN
 - Though Vigo County's assessed value has increased the last couple years, it is expected to decrease in 2009
- TAXPAYER SUBSIDIES TO POLITICAL CONVENTIONS
 - At least \$66 million of operating expenses for the two conventions will be on the taxpayers' tab; is this necessary? -
http://www.taxpayer.net/search_by_category.php?action=view&proj_id=1203&category=Wastebasket&type=Project
- CITY PARKS SURVEY
 - The deadline has been extended due to sparse initial response:
<http://members.aol.com/taxtopics/parksurvey.pdf>

AUGUST 7, 2008 (#08-32)

- FLOOD NOTES AND TAXES
 - The many properties damaged or totally destroyed in the flood will reduce the total assessed value of the county and if spending remains constant, taxes will be higher for all property owners
- INDIANA CHAMBER LETTER TO GOVERNOR CANDIDATES CONCERNING HOOSIER LOTTERY

JULY 31, 2008 (#08-31)

- RATES ARE IN AND PUBLISHED
 - The rates for 2007 payable 2008 are now available -
<http://members.aol.com/taxtopics/tax2008.xls>
- BAD NEWS – GOOD NEWS
 - Assessment Up – Trending; Taxes Down – HB 1001 Increases Homestead Credit

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. Current members are encouraged to promote membership in the organization by giving the attached application to a potential member. [See the TA application and dues structure.](#) This is NOT an invoice for your dues.

1. SUPPORT OUR COLLEGES – THEY SUPPORT US

School is in session, or is close to being 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.

In that light, we are suggesting that we all contribute to ISU's "Stack the Stadium" endeavor on September 27th at Memorial Stadium, 12:00 Noon. Tickets are discounted to \$4 each when 25 or more are purchased. Buy some tickets...take a few friends, and attend the Indiana State University vs. Southeast Missouri State football game. For tickets visit the ISU Hulman Center Ticket Office at 200 North 8th Street, or call (812) 237-3737.

2. 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 cap 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?

3. 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. 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
Fri. Aug. 22	5:30 pm	Information Technology Advisory Board	City Hall – 1 st Floor	Brad 244-2316
Mon. Aug. 25	2:00 pm	Board of Public Works and Safety	City Hall – 1 st Floor	Robin 232-4767
Mon. Aug. 25	4:00 pm	County Park Board	County Annex	Julia 462-3391
Mon. Aug. 25	7:00 pm	Vigo County School Board	VCSC Board Room	Judy 462-4216
Tue. Aug. 26	9:00 am	County Commissioners	County Annex	Judy 462-3367
Tue. Aug. 26	5:00 pm	County Council	County Annex	Auditor 462-3361
Wed. Aug. 27	4:30 pm	City Park Board – Business Meeting	Deming Park	Eddie 232-2727
Wed. Aug. 27	7:00 pm	Airport Authority	Airport	Kara 877-2524
Tue. Sep. 2	9:00 am	County Commissioners	County Annex	Judy 462-3367
Tue. Sep. 2	10:00 am	City Board of Sanitary Commissioners	City Hall – 3 rd Floor	Sally 235-5458
Tue. Sep. 2	4:30 pm	Honey Creek Conservancy District	3241 S. 3 rd Place	Craig 232-4311
Tue. Sep. 2	6:30 pm	Riley Town Board	Riley Town Hall	Wanda 894-2410
Wed. Sep. 3	9:00 am	City Board of Zoning Appeals	City Hall – 1 st Floor Conf. Room	Bernard 235-1361
Wed. Sep. 3	7:00 pm	County Area Planning Commission	County Annex	Vickie 462-3354
Thur. Sep. 4	7:00 pm	City Council – Sunshine Meeting	City Hall – Courtroom	Michelle 232-3375
Mon. Sep. 8	2:00 pm	Board of Public Works and Safety	City Hall – 1 st Floor	Robin 232-4767
Mon. Sep. 8	6:00 pm	West Terre Haute Town Board	500 W. Nat'l, WTH	Melody 533-2034
Mon. Sep. 8	7:00 pm	Vigo County School Board	VCSC Board Room	Judy 462-4216
Tue. Sep. 9	9:00 am	County Commissioners	County Annex	Judy 462-3367
Tue. Sep. 9	4:15 pm	Vigo County Redevelopment Commission	County Annex	Amanda 234-2524
Tue. Sep. 9	7:00 pm	Seelyville Town Board	Seelyville Water Office	Tamara 877-2665
Wed. Sep. 10	10:00 am	Area Board of Zoning Appeals	County Annex	Bernard 235-1361
Wed. Sep. 10	4:30 pm	City Park Board – General Meeting	Deming Park	Eddie 232-2727
Wed. Sep. 10	7:00 pm	Airport Authority	Airport	Kara 877-2524
Thur. Sep. 11	7:00 pm	City Council – Regular Meeting	City Hall – Courtroom	Michelle 232-3375
Tue. Sep. 16	12:00 pm	Taxpayers Association Board Meeting	TBA	Bernard 235-1361

END

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