

TAX MATTERS

FEBRUARY 12, 2009, Issue #09-06, by Bernard Ridens, Executive Director
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1. THE PUBLIC LIBRARY SYSTEM
2. VALENTINE'S DAY CRACKERBARREL
3. DUES, DUES, DUES ... ARE YOU UP TO DATE?
4. FARMLAND ASSESSMENTS WILL KEEP INCREASING
5. KOKOMO BEGINS PRODUCING K-FUEL
6. PUBLIC MEETINGS

REVIEW OF PAST TAX MATTERS

FEBRUARY 5, 2009 (#09-05)

- T.H. POLICE AND FIRE DEPARTMENTS – ANNUAL REPORT
 - Information given by Mayor Duke Bennett during his State of the City Address
- WE DO NOT HAVE IT AS BAD AS SOME OTHER HOOSIERS
 - The Elkhart-Goshen area was hit by the worst unemployment rate increase in the nation. After we mentioned this in this publication, President Obama visited Elkhart and mentioned the city in his prime-time news conference to promote his economic stimulus plan.

JANUARY 29, 2009 (#09-04)

- STATE LEGISLATURE INFO
 - The state legislature web site has a large wealth of information to research what goes on in the State Capitol. The site is found at <http://www.in.gov/legislative/>.
- VIGO COUNTY SHERIFF'S REPORT – 2008

JANUARY 22, 2009 (#09-03)

- CAPS – TAKE IT TO A REFERENDUM – NOT A GOOD IDEA!
 - There has been discussion by several legislators concerning taking the property tax caps issue to a statewide referendum. This is not a good idea! Serious issues are involved in this action.

JANUARY 15, 2009 (#09-02)

- MORE ON TENTH GRADE MATH TEST
 - Bill 1072 (found at <http://www.in.gov/legislative/bills/2009/IN/IN1072.1.html>), if passed, will reveal how many millions are wasted on testing
- GOVERNOR DANIELS' STATE OF THE STATE ADDRESS

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. THE VIGO COUNTY PUBLIC LIBRARY SYSTEM

As you have probably read and/or heard, serious budget cuts are in the works by all Indiana government entities. The VCPL is one of the first forced to reduce cost due to Indiana HB 1001, which shifted local property taxes to increased sales tax and did not allow for the losses in revenue for the VCPL. Several options have been presented by the VCPL staff that could save expenditures ranging from \$400,000 to over \$1,000,000. Of all the ideas and options considered, the dollars cut from the budget vary accordingly by staff cuts and/or branch closings. The question to you today is: What do you think the library should do?

- A. Keep all or some branches open and reduce staff
- B. Close all or some branches and shift lost services to the main library with a minimum loss in staff
- C. Where possible, cut all expenses by 10%, which would save \$600,000. This may not be enough, but it's a start
- D. Some other idea or combination of the above yet to be proposed

2. VALENTINE'S DAY CRACKERBARREL

We encourage you to attend the Legislative Crackerbarrel sessions – meet and talk with your area legislators. The next one is:

Saturday, February 14, 10:00 AM, Vigo County Main Library Lower Level

We need to make our lawmakers aware of our thoughts. The Crackerbarrel sessions are a tremendous way of getting this done. The members of the TA are very knowledgeable and are obviously interested in the manner in which taxes are levied and spent. It would be very beneficial to our community and state if many of you would attend at least one of the remaining sessions listed below. If you are unable to attend, please send someone in your place. When our representatives return to Indianapolis, it would be beneficial if they could state that the Crackerbarrels held in Terre Haute were attended by many area citizens concerned about items under consideration by the 2009 assembly.

Subsequent Crackerbarrel sessions:

(10:00 am at the Main Branch of the Vigo County Public Library
Lower level - rooms A, B, and C.)
March 14
April 11

3. DUES, DUES, DUES ... ARE YOU UP TO DATE?

Dues collection for 2009 started with the invoice mailing of December 1, 2008. At this point, we are ahead of schedule in collections by about \$6000, but because of some definite non-renewals, we will not meet last year's total collection. The economy has hit some of our local businesses and they have been forced to cancel membership, or reduce their contribution. We project that by year's end, we will be short approximately 9% of our current budget. Due to this

prediction, we will be forced to reduce some service to our members. At this point, we are contemplating discontinuing the quarterly production of *Tax Topics* and reducing employee hours. *Tax Topics* was initiated many years before the popularity of the Internet. Our weekly *Tax Matters* essentially replaces *Tax Topics* for all members except those not using computers.

If you have not paid your 2009 dues, please try to send them in as soon as you can, or if you do not think that you will be able to continue your membership please contact Bernard Ridens. We will work with you to enable your continued membership.

4. FARMLAND ASSESSMENTS WILL KEEP INCREASING

By Larry DeBoer
Capital Comments
January 22, 2009
deboer@purdue.edu

My mom used to tell me that sometimes you've got to brag on yourself, or no one else will. So, one year ago I predicted that the base rate assessment of farmland would be \$1,250 per acre for property taxes in 2010. And, a couple of months ago, the Department of Local Government Finance announced that the base rate for 2010 taxes would, in fact, be \$1,250 per acre. Thank you. Thank you very much.

Actually, that's not so marvelous a prediction. The base rate for 2010 taxes is calculated with numbers from 2001 through 2006. By last January, all those numbers were already known. Predicting the base rate was a matter of plugging the numbers into the state's base rate formula.

The statewide base rate is the starting point for the assessment of farmland for property taxes. To get the assessed value of an acre, the base rate is multiplied by a productivity factor, which is higher for soils that are better for growing corn. Some assessments also are adjusted downward by an influence factor, for reasons like forest cover or frequent flooding.

The state recalculates the base rate every year, using a capitalization formula. A measure of income is divided by an interest rate to get a land value. The results are averaged over six years to iron out fluctuations. The rate for 2009 taxes is \$1,200, based on numbers from 2000 through 2005. The rate for 2010 is \$1,250, based on numbers from 2001 through 2006. The base rate went up when the calculation dropped figures for 2000 and added figures for 2006.

Why? Land rent is one of the factors that determines income in the formula's numerator. In 2000 the average rent for an acre was \$101. In 2006 it was \$110. Income depends on commodity prices, too. The price per bushel of corn was \$1.87 per bushel in 2000 and \$2.47 in 2006. The price for beans was \$4.71 in 2000 and \$5.90 in 2006. Income also depends on yields of corn and soybeans. The yields for both corn and beans were higher in 2006 than in 2000. Finally, the interest rate in the denominator of the formula was 9.56 percent in 2000 and 8.17 percent in 2006.

The income measures in the numerator were bigger in the year that was added, and smaller in the year that was dropped. The interest rate in the denominator was smaller in the year that was added, and bigger in the year that was dropped. The formula dropped a smaller land value, and added a bigger land value. The base rate had to rise.

The most recent numbers used for the 2010 base rate are from 2006. We know the numbers for 2007, and we've got a pretty good idea about the numbers for 2008. Commodity prices went up a lot in 2007 and 2008, much higher than earlier in the decade. Yields are up, and the interest rate is lower too.

With figures from 2007 and 2008, we can predict the base rates for 2011 and 2012. The base rate is likely to rise to \$1,400 for taxes in 2011 and to \$1,690 for taxes in 2012.

Now costs are rising and commodity prices are dropping. If these trends hold in 2009, they could reduce the base rate—for taxes in 2013, at the earliest. The two years with really high commodity prices, 2007 and 2008, won't drop out of the base rate calculation until 2018. The base rate is likely to be high throughout most of the coming decade.

Higher base rates mean higher property taxes on farmland. The new property tax caps won't stop tax bills from rising. The caps are a percentage of assessed value. As assessed value goes up, so do the caps.

These base rate predictions will hold as long as the state uses the same data with the same formula. You can be sure that agricultural interests are working hard to find a different formula, friendlier to land. That might be a tough sell in the Indiana Legislature, though. Lower farmland assessments would shift taxes to homeowners. And higher taxes for homeowners are not on the General Assembly's agenda.

5. KOKOMO BEGINS PRODUCING K-FUEL

The city of Kokomo has launched the first phase of its Renewable Energy Partnership by producing its own biofuel. The city is collecting waste cooking oil from area restaurants and converting it into a fuel that helps reduce Kokomo's carbon footprint and diesel costs. Kokomo Sustainability Manager David Galvin says the aim is to produce 30,000 gallons of biofuel a year, which would be about 20 percent of the city's annual consumption. He believes it is the largest such system in the state. Galvin says the entire system cost the city approximately \$60,000 and the plan is to pay it off within 10 to 12 months.

Source: Inside INdiana Business

Press Release

Kokomo, Indiana – Today, Mayor Greg Goodnight unveiled his first sustainability program in the bio-diesel processing room of the City's Waste Water Treatment Plant. The biodiesel program, K-Fuel, is the first in a number of projects designed to reshape the economic environment of Kokomo, Indiana.

"I knew that if we could find a way of making our own fuel, the City would save money and reduce our use of foreign oil," Mayor Goodnight explained at today's press conference. "What we created was a bio-fuel program that will immediately begin to reduce our energy and maintenance costs, and shrink the City's carbon footprint."

"If we only produced 55 gallons of K-FUEL a day the City would save, at today's fuel prices, \$25,000 during the first 12 months of operation. That, is good for the city's budget and the city's taxpayers," Goodnight said.

"This program will eliminate about half a million pounds of carbon dioxide and several hundred pounds of diesel ash from our atmosphere every year," stated the Mayor. "This reduces our impact on our environment, and improves the air quality of our community."

"We call the initiative Kokomo's Renewable Energy Partnership, and is about sustainable development," stated Goodnight. "We are taking our first steps towards a local economy that is more diverse, competitive, and rooted in sustainable practices. We want to be a hub of the renewable energy industry."

Paul Munoz, Kokomo's Bio-Fuels Manager, detailed how waste cooking oil is processed into bio-diesel. "The City will collect used cooking oil from participating restaurants, businesses, and a residential collection program. At this time, we are collecting about 1500 gallons of used cooking oil from 12 participating businesses each month; and anticipate the collection of about 300 gallons from our residents in the first couple of months of operation. These amounts will increase over time, as businesses partner with the City, and as our production and collection methods improve."

"This program will help reduce the amount of fats and oils that disrupt our waste water system, and will reduce the amount of money the city spends on sewer maintenance," concluded Munoz. "Nearly 50% of the maintenance and repair costs on sewer and lift stations is caused by the build up of fats, oils, and grease that enter into our sewer and treatment facility.

"We can't wait for stimulus money," stated David Galvin Kokomo's Sustainability Manager. "We have to act now. Kokomo's Renewable Energy Partnership is designed to find ways to convert our City's waste into forms of renewable energy products. We can save taxpayers' money, create alternative streams of revenue, improve our City's image, and be more competitive for the jobs of the 21st century."

"Our founding renewable energy partners are the locally owned and operated restaurants and food related businesses in our city. We are excited about this program and look forward to unveiling the second phase of Kokomo's bio-fuel program later this year," concluded Galvin.

Source: City of Kokomo

6. 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
Thur. Feb. 12	7:00 pm	<u>City Council – Regular Meeting</u>	City Hall – Courtroom	Michelle 232-3375
Sat. Feb. 14	10:00 am	LEGISLATIVE CRACKERBARREL	Library – Main Branch	Nancy 232-1113
Mon. Feb. 16	5:30 pm	<u>Human Relations Commission</u>	Booker T. Washington Center	Jeff 232-0110
Mon. Feb. 16	7:00 pm	<u>Vigo County Public Library</u>	Library – Main Branch	Nancy 232-1113
Tue. Feb. 17	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Feb. 17	10:00 am	<u>City Board of Sanitary Commissioners</u>	City Hall – 3 rd Floor	Sally 235-5458
Tue. Feb. 17	4:30 pm	<u>County Council</u>	County Annex	Auditor 462-3361
Wed. Feb. 18	9:30 am	Clay-Owen-Vigo Solid Waste District	109 E. Nat'l, Brazil IN	Janet 800-387-3380
Wed. Feb. 18	4:00 pm	<u>City Redevelopment Commission</u>	City Hall – 1 st Floor	Phenny 232-0018
Thur. Feb. 19	2:00 pm	Tree Advisory Board	City Hall Mayor's Conf. Room	Jennifer 232-4028
Mon. Feb. 23	2:00 pm	<u>Board of Public Works and Safety</u>	City Hall – 1 st Floor	Robin 232-4767
Mon. Feb. 23	4:00 pm	<u>County Park Board</u>	County Annex	Julia 462-3391
Mon. Feb. 23	5:30 pm	Terre Haute Housing Authority	2001 N. 19 th Street	
Mon. Feb. 23	7:00 pm	<u>Vigo County School Board</u>	VCSC Board Room	Judy 462-4216
Tue. Feb. 24	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Wed. Feb. 25	4:30 pm	<u>City Park Board – Business Meeting</u>	Deming Park	Eddie 232-2727
Wed. Feb. 25	5:30 pm	<u>Information Technology Advisory Board</u>	City Hall – 1 st Floor	Brad 244-2316
Wed. Feb. 25	7:00 pm	<u>Airport Authority</u>	Airport	Kara 877-2524
Mon. Mar. 2	6:30 pm	Riley Town Board	Riley Town Hall	Wanda 894-2410
Tue. Mar. 3	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Mar. 3	10:00 am	<u>City Board of Sanitary Commissioners</u>	City Hall – 3 rd Floor	Sally 235-5458
Tue. Mar. 3	4:30 pm	Honey Creek Conservancy District	3241 S. 3 rd Place	Craig 232-4311
Wed. Mar. 4	9:00 am	<u>City Board of Zoning Appeals</u>	City Hall – 1 st Floor Conf. Room	Judy 462-3367
Wed. Mar. 4	7:00 pm	<u>County Area Planning Commission</u>	County Annex	Vickie 462-3354
Thur. Mar. 5	7:00 pm	<u>City Council – Sunshine Meeting</u>	City Hall – Courtroom	Michelle 232-3375

END

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