

## **TAX MATTERS**

**NOVEMBER 19, 2009, Issue #09-46, by Bernard Ridens, Executive Director  
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### **REVIEW OF PAST TAX MATTERS**

**NOVEMBER 12, 2009 (#09-45)**

- **2009 VIGO COUNTY PROPERTY TAX REPORT**
  - The Indiana Legislative Services Agency produced reports on every county detailing the changes in property tax bills and the distribution of tax levies. You can find the five-page Vigo County Property Tax Report here: <http://www.in.gov/legislative/pdf/VIGO09.PDF>.
- **RECOVERY ZONE BONDS – PART 2**
  - Second part of a series by Umbaugh Footnotes on Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds
- **THEORY ON CEO SALARIES**
  - Chief executives in 35 of the top Fortune 500 companies were overpaid by about 129 times their "ideal salaries" in 2008, according to a new type of theoretical analysis proposed by a Purdue University researcher to determine fair CEO compensation

**NOVEMBER 5, 2009 (#09-44)**

- **FEDERAL AND STATE OPEN DOOR LAWS**
  - [Handbook on Indiana's Public Access Laws](#) and the [Federal Freedom of Information Act](#)
- **COUNTY RESEARCH PROJECT**
  - We are currently working on a very extensive special report comparing other counties our size, having a city the size of Terre Haute and adjacent counties.
- **CITY PLANNER AT NEIGHBORHOOD PARTNERSHIP MEETING**
  - Pat Martin's report to the Terre Haute Neighborhood Partnership
- **SCHOOL FORMULA ARITHMETIC**
  - Larry DeBoer's explanation of why school funding allocation was a hot topic in the last state budget debate

The Taxpayers Association is a not-for-profit 501(c)(4) 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. WHAT YOUR TAX BILL TELLS YOU

*By Larry DeBoer*

*Professor of Agricultural Economics – Purdue University*

I was excited to find my property tax bill in the mail last week. Actually, it said, "not a bill" in big letters across it--the real bill went to my bank. But it included all the information on the bill, and that's a lot of information.

At the top is the gross assessed value of my house, for 2007, 2008 and 2009. This is the assessor's prediction of what my house would bring if I sold it. Maybe a little high, but close. It went up 4 percent in 2008, then back down 2 percent in 2009, because of trending. The assessed value is adjusted each year based on the sales prices of houses in my neighborhood.

Next subtract deductions. My house is a homestead, because it's occupied by its owners (my wife and me), and it's our primary residence. Homesteads get the \$45,000 homestead standard deduction and the supplemental standard deduction, which is 35 percent of what's left. The supplemental deduction is new, created by the 2008 tax reform. The taxable assessed value of my house is about half the gross assessed value, and it's 37 percent lower in 2009 because of that new deduction.

Then comes the local property tax rate, which is the sum of the rates of the county, township, city, school corporation, library district and special districts where my house is located. It's 25 percent lower in 2009. The rate went down so much because the state took over the school general fund, the county welfare funds and several smaller funds as part of the big tax reform. These government functions are no longer paid for with property taxes but supported by the state budget. The sales tax increase to 7 percent back in April 2008 helps pay for the added state spending.

The tax rate times the taxable assessed value is the gross tax liability. Since both my assessed value and the tax rate are way down, my gross tax bill is down 53 percent. But don't start the party yet.

Credits must be subtracted. Big changes here. On my bill, state tax credits increased 60 percent in 2008 and then dropped 95 percent in 2009. The tax reform applied a temporary homestead credit in 2008 as a transition to the new system, which eliminated those tax levies. Most state credits disappeared in 2009. The money that the state used to fund these credits was switched to support the school general fund and county welfare payments.

My house isn't eligible for a tax cap credit. In 2009 the maximum tax I could owe under the tax caps is 1.5 percent of gross assessed value. That's way higher than what I actually owe. Homesteads get so much in deductions that very few need a credit to bring the tax bill down to the capped level.

After all these calculations, my house saw a tax cut of 29 percent in 2008 and another cut of 3 percent in 2009.

My house is pretty typical, according to research results by the General Assembly's Legislative Services Agency. Homestead taxes fell by about a third statewide in 2008 and fell another 4 percent or so in 2009. And only 3 percent of all tax cap credits went to homeowners. You can see these results at <http://www.in.gov/legislative/publications>.

The research also shows that most homeowners saw substantial tax reductions in 2008, but the experience in 2009 was all over the map. For my house, the tax cuts from the new deduction and levy takeovers were almost offset by the loss of all those state credits. In counties where credits were high in 2008, their loss created tax increases for homeowners in 2009. In counties where 2008 credits were low, homeowners saw further tax cuts in 2009. Statewide, more than 90 percent of all homeowners saw lower property taxes in 2009 than in 2007. That's why the tax bills show all three years so homeowners can compare 2009 to 2007.

Of course, my property tax bill doesn't tell me how much more I'm paying in higher sales taxes. And it doesn't say how much more I'd be paying if my house was a rental, not a homestead (the answer: more than double). It tells me a lot about changes in state tax policy. But not everything.

Source: *Capital Comments*,

<http://www.agriculture.purdue.edu/agcomm/newscolumns/archives/CC/2009/091022CC.html>

## **2. DRUG MAKERS RAISE PRICES IN FACE ON HEALTH CARE REFORM**

The following link is to a *New York Times* article published November 16, 2009. It describes that as drug companies promised Washington to shave \$8 billion off drug costs if the health care reform bill is passed, drug prices have risen at the fastest rate in 17 years.

Article by Duff Wilson - <http://www.nytimes.com/2009/11/16/business/16drugprices.html>

### 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. 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.

<b>Date</b>	<b>Time</b>	<b>Public Meeting</b>	<b>Location</b>	<b>Contact Info</b>
Mon. Nov. 23	2:00 pm	<u>Board of Public Works and Safety</u>	City Hall – Board of Public Works Room	Robin 232-4767
Mon. Nov. 23	4:00 pm	<u>County Park Board</u>	County Annex	Julia 462-3391
Mon. Nov. 23	5:30 pm	<b>Terre Haute Housing Authority</b>	2001 N. 19 <sup>th</sup> Street	Jeff 232-1381
Mon. Nov. 23	7:00 pm	<u>Vigo County School Board</u>	VCSC Board Room	Judy 462-4216
Tue. Nov. 24	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Nov. 24	4:30 pm	<u>City Park Board – Business Meeting</u>	Deming Park	Eddie 232-2727
Tue. Nov. 24	5:00 pm	<u>County Council</u>	County Annex	Auditor 462-3361
Wed. Nov. 25	5:30 pm	<u>Information Technology Advisory Board</u>	City Hall – 1 <sup>st</sup> Floor	Brad 244-2316
Tue. Dec. 1	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Dec. 1	10:00 am	<u>City Board of Sanitary Commissioners</u>	City Hall – 3 <sup>rd</sup> Floor	Sally 235-5458
Tue. Dec. 1	4:30 pm	<b>Honey Creek Conservancy District</b>	3241 S. 3 <sup>rd</sup> Place	Craig 232-4311
Wed. Dec. 2	9:00 am	<u>City Board of Zoning Appeals</u>	City Hall – 1 <sup>st</sup> Floor Conf. Room	Judy 462-3367
Wed. Dec. 2	7:00 pm	<u>County Area Planning Commission</u>	County Annex	Vickie 462-3354
Thur. Dec. 3	7:00 pm	<u>City Council – Sunshine Meeting</u>	City Hall – Courtroom	Michelle 232-3375
Mon. Dec. 7	4:00 pm	<u>Vigo County Drainage Board</u>	County Annex	David 898-2685
Mon. Dec. 7	4:30 pm	<b>Animal Control Board</b>	City Hall – 1 <sup>st</sup> Floor	
Mon. Dec. 7	6:30 pm	<b>Riley Town Board</b>	Riley Town Hall	Wanda 894-2410
Tue. Dec. 8	9:00 am	<u>County Commissioners</u>	County Annex	Judy 462-3367
Tue. Dec. 8	4:15 pm	<u>Vigo County Redevelopment Commission</u>	County Annex	Amanda 234-2524
Tue. Dec. 8	7:00 pm	<b>Seelyville Town Board</b>	Seelyville Water Office	Tamara 877-2665
Wed. Dec. 9	2:00 pm	<u>E-911 Advisory Board</u>	County Jail – Sheriff's Training Room	Greg 462-3226 ext. 320
Wed. Dec. 9	4:30 pm	<u>City Park Board – General Meeting</u>	Deming Park	Eddie 232-2727
Wed. Dec. 9	7:00 pm	<u>Airport Authority</u>	Airport	Kara 877-2524
Thur. Dec. 10	7:00 pm	<u>City Council – Regular Meeting</u>	City Hall – Courtroom	Michelle 232-3375

## 4. TAX QUESTIONS AND PROBLEMS

Here is a tax-related question for you to answer and compete for most questions answered correctly during a three-month period. The purpose of this topic is to encourage readership of *Tax Matters* and improve taxation and government education in our community. Send your answers anytime to the following email address: [taxtopics@aol.com](mailto:taxtopics@aol.com) or reply to this issue. We will tally the correct answers and the correct answer to the current problem will be given next week.

The correct answer to last week's problem was \$3,320.

### Here is this week's problem:

Given: A six-unit apartment building in Harrison Township (City of Terre Haute)

March 1, 2008 Assessed Value: \$175,000

Mortgage Exemption: Does not apply

Homestead Mortgage: Does not apply

Terre Haute Harrison Township Rate: 3.6348%

Homestead Credit: Does not apply

Homestead Supplemental Credit: Does not apply

0.95 acres

2.5% cap

Find the annual tax due and payable 2009.

## 5. QUOTE OF THE WEEK

*"I shall never use profanity except in discussing house rent  
and taxes."*

*- Mark Twain*

**END**

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