

History of the property tax issue

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The current property tax crisis has its origins in lawsuits from the 1990s challenging inequities in how property assessments were calculated. The Indiana Supreme Court ruled the assessment system unconstitutional and ordered the state to adopt new standards based on market value.

Under the revised state law, assessments were to be conducted every four years instead of 10 with annual "trending" updates based on property value projections. The reassessments conducted in 2002 for 2003 taxes were the first under the revised state law. Many property owners, particularly in Marion County, saw big increases in their tax bills in 2003. The next full assessment was done in 2006 and early 2007 for tax bills to be sent to homeowners in the spring of 2007.

Although the reassessments went smoothly in some counties, in Marion County many homeowners saw their tax bills quadruple. Gov. Mitch Daniels ordered the Marion County assessments done over again, but outraged voters turned out Indianapolis Mayor Bart Peterson in the November, 2007 election.

Key events in the property tax issue:

April 1991: Three St. John Town Board members request that the Lake County Board of Review equalize property tax assessments.

July 1991: The St. John Town Board files a petition with the State Board of Tax Commissioners asking for fair property tax assessment.

Sept. 1993: A lawsuit challenging the constitutionality of the state's property tax assessment system is filed with the Indiana Tax Court on behalf of residents of St. John in Lake County. Three Marion County taxpayers file a nearly identical lawsuit at the same time. A year later, the lawsuits are combined.

May 1996: Tax Court Judge Thomas G. Fisher declares Indiana's system of property tax assessment unconstitutional and gives the state until March 1, 1998 to adopt fair-market value standards; the state appeals.

Dec. 1996: The Indiana Supreme Court rules that market-value standards are not required under the state constitution, vacating Fisher's deadline, but sends the case back to Fisher for a determination as to whether the system creates uniform and equal assessments.

Dec. 1997: Fisher again finds that the system is unconstitutional because it ignores hard data about property value.

Dec. 1998: The Indiana Supreme Court finds that the state law on property tax assessment is constitutional, but determines that the rules and methods the state uses to assess property need to be changed.

April 1999: Fisher issues a final order telling the state to expedite new assessment rules but does not set a specific deadline.

Dec. 1999: Gov. Frank O'Bannon suspends work on new regulations proposed by the State Tax Board, saying they would result in major tax increases for homeowners.

May 2000: Fisher gives the Tax Board until June 1, 2001, to adopt assessment rules that pass constitutional muster. He also says assessments carried out after March 1, 2002, must be based on constitutional standards but declines to appoint an independent commissioner to oversee the writing of the new rules.

July 2003: Six of ten property owners in Marion County see their tax bills increase following the 2002 reassessment – with some bills more than tripling.

Aug. 2003: Mayor Bart Peterson proposes a plan under which he says Marion County residents could save \$40 million in property taxes. The plan subsequently collapses under pressure from Republican officials who claim the plan is too costly.

May 2004: Residents of the Miller neighborhood in Gary file a lawsuit challenging property tax assessment. A local judge finds in their favor, declaring the reassessment unconstitutional.

Apr. 2004: Because of a miscalculation by the state, nearly half of the property tax bills sent to Marion County residents are too high.

July 2005: A study by the Indiana Legislative Services Agency finds that nearly 60 percent of Hoosiers saw their property tax bills decrease following the 2002 reassessment - but not in Marion County where some bills tripled.

Oct. 2005: A state-commissioned study by the Indiana Fiscal Policy Institute finds that wide disparities in property assessment remain in 85 percent of Indiana's counties.

March 2007: In a letter to Marion County assessor Greg Bowes, Melissa Henson, commissioner of the state Department of Local Government Finance, questions the validity of the county assessment – particularly of commercial and industrial property, but approves the assessment anyway.

Apr. 2007: Spring property tax bills for most Hoosiers are delayed because of the state's new way of assessing property called "trending", where property values are updated annually.

Apr. 2007: The Indiana General Assembly approves a state budget that includes \$550 million in property tax relief, including rebates for taxpayers.

July 4, 2007: Hundreds of people gather outside the governor's residence to call for abolishing the property tax and substituting it with a statewide sales tax. Several other demonstrations follow, all calling for relief from rising property taxes.

July 5, 2007: Errors in the Marion County auditor's office result in some homeowners not getting homestead and mortgage exemptions applied to their property tax bills.

July 9, 2007: In response to the growing taxpayer unrest, Gov. Mitch Daniels blames local government leaders for the tax mess, calls for an investigation into the disparity between residential and commercial property reassessments and says he is considering calling a special session of the legislature.

July 10, 2007: A group of Marion County taxpayers files a lawsuit seeking to force the county to immediately withdraw all 2007 tax notices and reassess all property before issuing new bills.

July 12, 2007: Peterson announces a plan to avert a major tax crisis by providing \$75 million in immediate, short-term tax relief for Marion County property owners. The plan calls for selling bonds and borrowing money from future tax revenues to provide homestead credits.

July 14, 2007: Daniels proposes scraping property tax rebates in favor of credits that would go to homeowners hit hardest by unexpectedly high tax bills.

July 18, 2007: After an analysis of Marion County property tax bills shows wide variations, Daniels orders that taxpayers be allowed to pay the amount on their 2006 tax bills until a reassessment of all Marion County property can be completed.

July 19, 2007: Because of taxpayer confusion over what amount to pay, state officials agree to move the date property taxes are due from July 27 to Aug. 10.

July 21, 2007: To help combat the property tax crisis, Peterson initiates a hiring freeze and orders a cut of \$13 million from city and county budgets. An *Indianapolis Star* analysis of property tax increases in Marion County finds that four of the five hardest hit neighborhoods are predominantly black with a median household income well below the county median. Seven of the ten wealthiest neighborhoods have the lowest percentage increases.

July 25, 2007: Daniels expands his reassessment orders to Delaware, Gibson and Posey counties.

July 31, 2007: Upon learning that rolling back property tax collections to 2006 levels will mean a \$52 million shortfall in revenue, Peterson orders additional cuts.

Aug. 1, 2007: Saying township assessors “demonstrated an inability to properly apply the annual adjustment rate”, state tax officials formally order the reassessment of all commercial and residential property in Marion County.

Aug. 14, 2007: A group of Allen County taxpayers files a lawsuit challenging property tax assessment, claiming that undervaluing commercial and industrial property shifted more of the tax burden to homeowners.

Sept. 5, 2007: Daniels extends to Oct. 15 the date for homeowners to apply for homestead deductions and credits. He also announces that due to legislative opposition, he is dropping his proposal to replace tax rebates with tax credits.

Sept. 6, 2007: Seven taxpayer organizations and 11 individuals file another lawsuit challenging the property tax assessment system. The suit also seeks to have the newly adopted income tax increase in Marion County thrown out.

Sept. 16, 2007: Tax protesters gather outside the home of Peterson to demand he do more to curb increases in tax bills.

Oct. 23, 2007: To address the property tax crisis, Daniels calls for tax caps of 1 percent for residences, 2 percent for rental properties and 3 percent for businesses. He also proposes an increase in the state sales tax, eliminating elected township and county assessors and subjecting school building projects to voter referendums.

Nov. 6, 2007: As a direct result of public outrage over property taxes, Peterson loses the mayoral election to his relatively unknown and underfunded opponent, Greg Ballard.

Nov. 10, 2007: Fisher dismisses a lawsuit questioning statewide assessment methods and the use of tax abatements.

Nov. 13, 2007: The state Tax and Financing Policy Commission votes 5-0 to recommend to the legislature a plan for raising local income taxes to pay for property tax relief.

Nov. 19, 2007: Democrat State Rep. David Orentlicher lays out his plan to provide property tax relief which includes increasing sales and income taxes.

Source: Star news reports