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Tax delay could cost millions

Local governments will borrow money and rack up interest until payments come in.

Most property owners will wait months -- some into the fall -- to get their bills.

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Compiled by Star reporters Robert Annis, Tania E. Lopez, Bill McCleery, Rebecca Neal and Jason Thomas.

"How are you supposed to redo 2006-pay-2007 at the same time you are supposed to be doing 2007-pay-2008?"

Becky Williams, Franklin Township assessor

Property tax bills throughout Indiana will be late this year because most counties have yet to submit the information the state needs to set rates, a delay expected to cost taxpayers millions of dollars.

The delay in collecting 2008 taxes, as well as holdups in last year's bills -- only recently straightened out after a redo -- could cost taxpayers in Marion County \$30 million to \$50 million, officials estimate.

Some counties, including Marion and Hendricks, are now nine months late in sending their assessment data to the state, in part because they are still catching up after last year's reassessments and struggling to understand changes in the property tax system.

That means homeowners may not know until late summer or fall what they'll owe, while local school districts, towns and other government agencies scramble to cover expenses in the interim.

In many cases, local governments are expected to borrow money to cover their costs until taxes can be collected and distributed -- with taxpayers ultimately left on the hook for interest on those loans, on top of their regular tax bills.

Marion County Treasurer Michael Rodman said the delays in resolving 2007 tax bills mean the first installment of 2008 bills are not likely to go out until November. "We're in a financial quicksand," Rodman said of the cycle of delays. "I want this to be the last cycle where we are behind."

If things had gone correctly, the first of two bills sent each year would have arrived in mailboxes by Friday and payment would be due to the state by May 10. The second bill is typically sent out in the fall.

Under state law, the Department of Local Government Finance is required to make sure property taxes are processed in time. But Mary Jane Michalak, spokeswoman for the agency, said it relies on township and county assessors to submit data on time.

The assessors say the state hasn't helped them figure out changes in the property tax system, including new real estate "trending" rules, which are designed to reflect more up-to-date market values.

Tallying the losses

In Marion County, about half of the projected loss will come in interest on loans to maintain operations, Rodman said. The other half: With less money for short-term investments, the government will earn less interest.

Rodman said the investment loss for the Marion County treasurer's office alone could be as much as \$7 million this year, with earnings falling from about \$15 million in 2007 to about \$8 million this year.

"My \$7 million loss gets multiplied several times over across the county when you consider all the other governmental units like the city, schools, the Health and Hospital Corporation and the Airport Authority," he said.

Delays in collecting and distributing property tax funds will cost the city of Indianapolis about \$3.5 million in interest, City Comptroller David Reynolds said.

He said he had not calculated how much the city might lose on investments.

Similar worries can be found elsewhere.

Last year, the Zionsville school district was forced to borrow \$15 million, spending more than \$400,000 in interest. More of the same could be in store this year.

In Avon, Town Manager Tom Klein also is concerned about the prospect of borrowing money.

"Sixty percent of our revenue is from property taxes," he said. "We'll have to look at our cash fund and analyze where we stand. (With the potential for budget shortfalls), this is not a time when you necessarily want to be borrowing money."

Late to the state

The Department of Local Government Finance is processing most county tax rates in the order they're received.

Of Indiana's 92 counties, the state received assessed values from two counties each in January and February and 16 counties in March. Those figures were due in August.

Hamilton and Vanderburgh counties are well ahead of most, though still behind what's normal.

"We're looking at possibly mailing bills the Fourth of July with a (tentative) due date of August 4th," said Hamilton County Deputy Auditor Dawn Coverdale. "But all that's contingent on how fast the budget orders get sent out to us."

Michalak said the delays are rooted in work done by township assessors, who submit their data to county assessors and auditors.

"We hope they'll get back on track with trending, but with a new procedure, there's always a learning curve."

Local officials say they're trying to take the time to do assessments correctly to avoid last year's debacle that forced reassessments.

Franklin Township Assessor Becky Williams, who heads the state association of township assessors, said the reassessment in Marion County created unique problems.

"How are you supposed to redo 2006-pay-2007 at the same time you are supposed to be doing 2007-pay-2008?" she asked.

A bigger problem, she said, is that township assessors across the state have seen their budgets cut in recent years, while their jobs have become increasingly difficult and time-consuming as a result of the state's switch to market-value assessments.

Looking ahead

Sen. Luke Kenley, R-Noblesville, who spearheaded the property tax relief plan in the legislature this year, said he expects tax officials to eventually catch up.

"With our market-value system, values need to be fairly current," he said. "I believe we are on the right track. We just need to be committed to getting trending to work."

Michalak said her agency is having its budget division put in extra hours to process the numbers as quickly as possible. She said she hopes counties will better understand trending after this tax cycle is complete, reducing the likelihood of major delays in the future.

She added that Department of Local Government Finance officials believe a new law that eliminates most township assessors and makes the county assessor responsible -- and accountable -- for getting information to the state in a timely manner will make a big difference.

"Everything we've learned can help expedite things in the coming years," Michalak said.

Call Star reporter Rebecca Neal at (317) 444-2805.

Tax bills: Your questions answered

When can I expect my bill?

It depends on if, and when, your county has submitted the necessary information to the Department of Local Government Finance. After the county receives a certified budget from the state, it can take anywhere from several weeks to a few months to prepare and mail tax bills.

Should I set money aside?

Some counties don't know yet if they will issue one bill or two. It may be smart to put away money in case one large bill arrives this fall.

Will my county issue provisional tax bills?

That depends on whether your county auditor's office can process provisional tax bills. Check with your local auditor to find out.

Where can I check my county's status with the state?

See the map accompanying this story.

Where can I learn more?

Try the Department of Local Government Finance Web site: www.dlgef.in.gov.

Status check

One of the first counties to mail out tax bills likely will be Hamilton. It's expected to have its budget certified by the Department of Local Government Finance in a week or two. Here's what other metro-area officials are saying about the delay in tax bills:

Boone County

Mary Westerfield of the Boone County auditor's office said the county anticipates bills to be about two to three months late this year.

Hancock County

Assessor Carol Maynard said there's little she can do until the county gets its tax rates from the state. "If we don't have tax rates, we can't send out tax statements," Maynard said. "We have nothing to figure the taxes with."

The state is processing tax rates on a first-come, first-served basis. Maynard said

Hancock County was about 20th among the state's 92 counties to provide the necessary information to state officials.

Hendricks County

County Auditor Cinda Kattau said the county has sent no data to the state yet.

Township assessors are trying to make sure all information is as correct as possible, she said. "As soon as we get the tax rate, we'll decide if we'll send out one bill or two," she said. Bills are likely to go out in late summer.

Johnson County

County Assessor Marla Hash said the county was late in sending information to the state, which is crucial to calculating property taxes. Hash said she had hoped to hear back from the state last week but didn't. She said it will be a while before tax bills are mailed. "It's probably going to be midsummer," she said.

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