

Property taxes back on lawmakers' agenda

By Mike Smith / Associated Press

Posted: July 14, 2008

Sometimes they've tackled the issue, sometimes just tinkered with it, but state lawmakers can never seem to give property taxes a rest.

The General Assembly passed a sweeping property tax relief and restructuring package earlier this year, one Gov. Mitch Daniels and other backers said would bring significant and lasting change. They said after years of trying, they had finally fixed an ancient and broken property tax system and ushered in a new era of taxpayer protection.

But because of the complexities of property taxes, the billions of dollars and stakeholders involved, and outside forces such as a fluctuating economy, it might have a permanent place on the Legislature's table.

"It's just like running a business. It requires constant attention and care to get it right," said Senate Tax Chairman Luke Kenley, a Noblesville Republican who played a key role in getting the property tax restructuring plan passed this year.

Kenley believes lawmakers got a lot of things right in the overhaul legislation.

But alas, the issue will be revived again soon -- just a few months after the bill passed.

Lawmakers on the Commission on Tax and Financing Policy will spend some of their time between now and next year's legislative session reviewing parts the bill enacted this year, and other property tax issues.

Democratic Rep. Peggy Welch of Bloomington, who will chair the commission this summer and fall, said the panel wants to review the changes and see if there are areas that can be refined.

"We have been doing this for a good many years, and fortunately or unfortunately when we pass legislation (on property taxes) it seems we come back next year and say, 'No, we did not intend to do this, or how can we make it better?'" Welch said.

"I don't anticipate any major changes, but we want to make sure what we intended is being carried out and the language we moved forward in that huge bill is what we intended."

A key part of that huge bill is capping homeowners' property tax bills at 1 percent of their homes' assessed value, with 2 percent caps on rental property and 3 percent limits on business property. When phased in fully in 2010, the caps are projected to save property taxpayers \$524 million that year.

But that is money that local governments and schools will not get, although lawmakers steered an extra \$120 million to schools to soften the blow on them over the next two years. Many taxing units are projected to take little or no hit, but some will take major blows.

Welch said she wants the commission to get input on the new law from the general public. That likely will include officials from schools and local governments predicting dire financial consequences from the caps and stricter, property tax spending controls.

They raised those concerns during the past legislative session, but that was before gasoline prices shot above \$4 per gallon, putting more budget pressures on them. That outside force could give them extra ammunition in arguing for changes in the new law.

Much of the property tax relief the new law is projected to provide is based on the state absorbing about \$3 billion worth of local levies. The state will pay for the costs with revenue from the sales tax increase that took effect in April and money it now uses to help local governments keep property taxes lower.

But will the state be able to afford those costs given the sagging economy? Will the transition of appraisal duties from most township assessors and township trustee assessors to the county level result in more uniform assessments, as lawmakers hope?

Kenley hopes the biggest changes in the law will remain intact. Welch says she does too. With such a major overhaul made this year, she said it's time to let the dust settle and give it time to work.

But dust over property taxes never seems to completely settle in the General Assembly. Lawmakers might only tinker with the revamped system next session, but even tinkering with property taxes kicks up dust.