

## Indiana's property tax mess gets more chaotic

Published: 7/10/2008 12:00:00 AM

Last Updated: 7/9/2008 9:06:53 PM

Indiana Writers Group

Rebates, Reconciliations Add to Tax Confusion

By Andrea Neal

Just when you think Indiana's property tax mess can't get more confusing, it does. Hundreds of Marion County homeowners are struggling to pay final 2007 tax "reconciliation" bills due July 10. Others are seeing huge jumps in the amount collected in escrow by mortgage firms that pay property taxes on the homeowners' behalf.

As reported in the July 5 Indianapolis Star, a flood of tax appeals has overwhelmed the assessor's office and could take years to resolve. And rebates approved by the Legislature are doing little to assuage taxpayer ire. One homeowner got his rebate check for \$685.20 in Saturday's mail and moments later opened an envelope from his mortgage company. The bad news? His house payments would increase \$300 a month starting August to cover higher property taxes.

The situation has prompted one legislative candidate to build his campaign around the issue. Democrat Ed DeLaney, running for the District 86 House seat, has distributed doorknob flyers declaring, "The property tax crisis is far from over." He's asking citizens to fill out a form detailing their personal tax situation so he can create a database and figure out exactly what's going on.

Therein lies the problem. The situation has become so chaotic that it's almost impossible for homeowners and mortgage firms to tell what the future holds.

Ryan Kitchell, director of the Office of Management and Budget, said taxpayers should see meaningful relief soon, thanks in large part to the 1 percent increase in the sales tax that took effect April 1. "We are using all the new sales tax money to pay for tax relief this year (2007 pay 2008) and every year thereafter. Further, this is much more than modest relief; some homeowners are seeing their property tax bills go down by 50 percent or more."

The complexity is adding to taxpayers' frustration. Here are other questions I posed to Kitchell in an effort to clarify the situation.

Q. Explain the difference between tax year versus payable years. How does this work?

A. In a normal year, property taxes paid in 2008 are based on property tax assessments conducted in 2007. So when you hear 2007-pay-2008 taxes, it means taxes paid in 2008 that are based on assessments conducted in 2007. This is straightforward for just about all counties but Marion. Since Marion's 2006-pay-2007 tax bills were thrown out last summer by the governor due to the flawed assessment, Marion County property owners are paying 2006-pay-2007 taxes now. Once the 2007 taxes are settled later this month, Marion will start working on 2008 taxes. It is this 2008 tax bill that will arrive late this year that will reflect the significant tax cut many other counties are already seeing.

Q. What is the funding source for the rebate and the 2008 tax cuts?

A. The Rebate: \$300 million from license fees paid by horse tracks for their ability to offer slot machines. The 2008 tax cuts: \$250 million from a second payment by horse tracks plus \$620 million from sales tax (the full amount expected to be collected this year from the 1 cent increase).

Q. What will be the first property tax bill that reflects the 1 percent cap?

A. The spring 2010 bill.

Q. Why am I so confused? Should this be simpler?

A. Yes, it should. The governor is committed to simplifying the system, which is why he proposed and the General Assembly passed a law that shifts the assessment function from township officials to a certified county assessor. Many other simplifications were also made to property tax replacement credits, the school funding formula and funding of care for abused and neglected children.

Q. Do you agree with my thesis that the only sure thing for taxpayers is a constitutional amendment?

A. Absolutely. The governor has consistently said that a constitutional amendment is the key to providing permanent taxpayer protection. This will be at the top of his 2009 legislative agenda.

As I pointed out in my last column, tax relief enacted by the Legislature is not set in stone. Lawmakers will feel pressure in the next session to rescind statutory tax caps so local governments and schools can continue to spend more money. This is why the next legislature must approve and send voters a constitutional amendment capping property taxes at 1 percent of a home's assessed value.