

SENATE BILL No. 21

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-4-4.5.

Synopsis: Property tax assessment. Provides the following if the application of an annual adjustment factor derived by an assessing official would result in an increase of more than 10% in the assessed value of one or more homesteads for property tax purposes: (1) The assessing official shall submit certain information to the division of data analysis (division) of the department of local government finance. (2) The division shall review the information submitted and make a determination of whether the annual adjustment factor was correctly calculated or is otherwise inappropriate. (3) If the division determines that the annual adjustment factor to be applied to the homestead was incorrectly calculated or otherwise needs to be adjusted, the division shall certify to the assessing official the information and instructions necessary for the assessing official to correct the annual adjustment factor. Makes technical corrections.

Effective: Upon passage.

Zakas

January 3, 2018, read first time and referred to Committee on Appropriations.



Second Regular Session 120th General Assembly (2018)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2017 Regular Session of the General Assembly.

SENATE BILL No. 21



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-4-4.5, AS AMENDED BY THE
- 2 TECHNICAL CORRECTIONS BILL OF THE 2018 GENERAL
- 3 ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 4 UPON PASSAGE]: Sec. 4.5. (a) The department of local government
- 5 finance shall adopt rules establishing a system for annually adjusting
- 6 the assessed value of real property to account for changes in value in
- 7 those years since a reassessment under section ~~4~~ 4.2 of this chapter
- 8 for the property last took effect.
- 9 (b) Subject to subsection (e), the system must be applied to adjust
- 10 assessed values beginning with the 2006 assessment date and each year
- 11 thereafter that is not a year in which a reassessment under section ~~4~~ or
- 12 4.2 of this chapter for the property becomes effective.
- 13 (c) The rules adopted under subsection (a) must include the
- 14 following characteristics in the system:
- 15 (1) Promote uniform and equal assessment of real property within
- 16 and across classifications.
- 17 (2) Require that assessing officials:



- 1 (A) reevaluate the factors that affect value;
 2 (B) express the interactions of those factors mathematically;
 3 (C) use mass appraisal techniques to estimate updated property
 4 values within statistical measures of accuracy; and
 5 (D) provide notice to taxpayers of an assessment increase that
 6 results from the application of annual adjustments.
- 7 (3) Prescribe procedures that permit the application of the
 8 adjustment percentages in an efficient manner by assessing
 9 officials.
- 10 (d) The department of local government finance must review and
 11 certify each annual adjustment determined under this section.
- 12 (e) In making the annual determination of the base rate to satisfy the
 13 requirement for an annual adjustment ~~under subsection (c)~~ for the
 14 ~~January 1, 2016, assessment date and~~ each assessment date, ~~thereafter~~;
 15 the department of local government finance shall *not later than March*
 16 *1 of each year* determine the base rate using the methodology reflected
 17 in Table 2-18 of Book 1, Chapter 2 of the department of local
 18 government finance's Real Property Assessment Guidelines (as in
 19 effect on January 1, 2005), except that the department shall adjust the
 20 methodology as follows:
- 21 (1) Use a six (6) year rolling average adjusted under subdivision
 22 (3) instead of a four (4) year rolling average.
- 23 (2) Use ~~the~~ data from the six (6) most recent years preceding the
 24 year in which the assessment date occurs, *for which data is*
 25 *available*, before one (1) of those six (6) years is eliminated under
 26 subdivision (3) when determining the rolling average.
- 27 (3) Eliminate in the calculation of the rolling average the year
 28 among the six (6) years for which the highest market value in use
 29 of agricultural land is determined.
- 30 (4) After determining a preliminary base rate that would apply for
 31 the assessment date without applying the adjustment under this
 32 subdivision, the department of local government finance shall
 33 adjust the preliminary base rate as follows:
- 34 (A) If the preliminary base rate for the assessment date would
 35 be at least ten percent (10%) greater than the final base rate
 36 determined for the preceding assessment date, a capitalization
 37 rate of eight percent (8%) shall be used to determine the final
 38 base rate.
- 39 (B) If the preliminary base rate for the assessment date would
 40 be at least ten percent (10%) less than the final base rate
 41 determined for the preceding assessment date, a capitalization
 42 rate of six percent (6%) shall be used to determine the final



- 1 base rate.
- 2 (C) If neither clause (A) nor clause (B) applies, a capitalization
- 3 rate of seven percent (7%) shall be used to determine the final
- 4 base rate.
- 5 (D) In the case of a market value in use for a year that is used
- 6 in the calculation of the six (6) year rolling average under
- 7 subdivision (1) for purposes of determining the base rate for
- 8 the assessment date:
- 9 (i) that market value in use shall be recalculated by using the
- 10 capitalization rate determined under clauses (A) through (C)
- 11 for the calculation of the base rate for the assessment date;
- 12 and
- 13 (ii) the market value in use recalculated under item (i) shall
- 14 be used in the calculation of the six (6) year rolling average
- 15 under subdivision (1).
- 16 (f) For assessment dates after December 31, 2009, an adjustment in
- 17 the assessed value of real property under this section shall be based on
- 18 the estimated true tax value of the property on the assessment date that
- 19 is the basis for taxes payable on that real property.
- 20 (g) *The department shall release the department's annual*
- 21 *determination of the base rate on or before March 1 of each year.*
- 22 **(h) This subsection applies to assessment dates after December**
- 23 **31, 2017. The following apply if the application of an annual**
- 24 **adjustment factor derived by an assessing official would result in**
- 25 **an increase of more than ten percent (10%) in the assessed value**
- 26 **of one (1) or more homesteads (as defined in IC 6-1.1-12-37):**
- 27 **(1) The assessing official shall submit the following to the**
- 28 **division of data analysis of the department of local**
- 29 **government finance:**
- 30 **(A) The data from each sale that was used in the ratio**
- 31 **studies and value calibration analyses to develop the**
- 32 **annual adjustment factor that will be applied to the**
- 33 **homesteads.**
- 34 **(B) For sales described in clause (A), an explanation of the**
- 35 **manner and extent to which the properties sold are**
- 36 **comparable to the homesteads to which the annual**
- 37 **adjustment factor will be applied.**
- 38 **(C) A description of the neighborhood delineation**
- 39 **applicable to the homesteads.**
- 40 **(2) In addition to the review and certification of annual**
- 41 **adjustments under subsection (d), the division of data analysis**
- 42 **of the department of local government finance shall review**



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

the information submitted under subdivision (1) to determine the following:

(A) Whether the annual adjustment factor was correctly calculated.

(B) Whether the properties used as comparable properties in developing the annual adjustment factor were in fact comparable to the homesteads to which the annual adjustment factor would be applied.

(C) Whether the neighborhood delineation applicable to the homesteads adequately placed similar property into homogeneous geographic groups.

(D) Whether any very low or very high ratios as compared with other ratios in the sample were inappropriately used in the ratio study.

(E) Whether there is any other reason why it would be inappropriate to apply the annual adjustment factor to the homesteads.

(3) If the division of data analysis of the department of local government finance determines after the review under subdivision (2) that the annual adjustment factor to be applied to the homesteads was incorrectly calculated or otherwise needs to be adjusted, the division shall certify to the assessing official the information and instructions necessary for the assessing official to correct the annual adjustment factor.

SECTION 2. An emergency is declared for this act.

