

The State Must Enforce 21st Century Data and Assessment Standards

The challenge a supervisory agency faces is achieving the balance of activities that results in the highest level of assessment performance with the least consumption of resources and the least amount of stress. In other words, the more effectively the supervisory agency encourages high-level performance and the more effective its assistance activities are, the less onerous its enforcement activities will need to be.¹

A constitutionally uniform, equitable, and efficiently administered property tax system in Indiana requires State supervision. Without it, the property tax becomes segmented, inefficient, unfair, and unjust. Your property tax bill depends mostly upon where you live and who you know. If assessors are not monitored and evaluated, they can – and do - apply their personal tax and political philosophy to your property's assessment.

The State must set standards for assessors, the administration of their offices, and for the technological and data management processes used in performing the assessing function.

Following the 2002 pay 2003 general reassessment, the Indiana Fiscal Policy Institute (IFPI) Tax Equalization Study found that the DLGF was unable to analyze the sales samples used in the county equalization studies. The incredibly good accuracy portrayed by the county studies (in contrast to the results of the independent analysis) demonstrates that many of the sales used in the county studies are included only if they confirm the assessments (so-called “cherry picking”), or that sold properties are assessed on the basis of their sales prices (so-called “sales chasing”), or both.

In 2003, seventy-three counties relied on contractors for all or part of the 2002 reassessment. In twenty-two of those counties, the reassessment contractor also “conducted” the equalization study, a clear conflict of interest. Similarly, in nine counties, assessors evaluated their own performance.

This year, as trending results began coming in to the state, the only oversight was again a cursory examination of the county produced equalization studies. As the recent gubernatorial reassessment orders indicate, the county produced equalizations studies were, in a description used in the IFPI report, a sham.

An independent ratio study that complies with professional standards was needed this year, following trending, and is needed on an annual basis.

In property taxation, the determination of property value is the determination of the tax base. The accurate and uniform determination of value is a necessary step in the administration of a quality property tax system. Data, or “factual information, especially information organized for analysis or used to reason or make decisions,” is absolutely necessary to making the determination of value accurate and uniform. Without good data, quality assessments are not possible.ⁱⁱ

Data was nearly impossible to obtain and, once obtained, was nearly impossible to use in the IFPI Study. Sales disclosure forms were routinely ignored, incorrectly filled out, or simply dumped in the trash. In total, only 10% of the sales disclosure data obtained for the Study was found to be usable.

Parcel data was almost as confounding. Parcel numbering conventions differed from property record cards to sales disclosure forms. Taxing district coding conventions (which identify the township for each parcel) differed from assessor’s office to auditor’s office, to treasurer’s office, to the state. The problems occurred all but 8 counties.

Anecdotal evidence in data obtained from the DLGF over the past several months indicates that these problems remain in many counties. In addition, the DLGF has demanded that data long overdue but not yet received from 71 counties be transmitted to the state. Clearly, the data problems have not been corrected, even though state standards have been in place since January 1, 2003, or earlier.

A single data processing system with a single standard enforced statewide is the best answer to the continuing data problems. This standard should require data transmission to the state in a timely fashion and no exceptions should be allowed.

Reforming the assessment system is not about squeezing the last drop of efficiency out of the process. It is about the uniform and equitable allocation of \$6.0 billion of property tax across nearly 4,000,000 parcels of real property and a significant amount of personal property. The state must invest in local assessment capacity. It should assist by subsidizing the acquisition of computing and technological resources for counties. It should provide, through a partnership with the state's college's and universities, assessor certification programs.

An improved system that allows a taxpayer to appeal their assessment without need to hire legal counsel should be implemented. Perhaps a taxpayer advocate that is available locally, whose job it is to assist taxpayers navigate the appeals process through the county and to the state is the answer. Whatever the solution, it should give the taxpayer at least a level playing field on which they can make their case for the valuation of their property.

ⁱ Indiana Fiscal Policy Institute, Statewide Property Tax Equalization Study, October 2002. page27.

ⁱⁱ Ibid, page 34.