

Conduct Regional Assessments & Require Professional Licensing of Assessors as Real Estate Appraisers

Regional Assessments: Indiana has the 3rd most townships in the U.S. among states of similar size, with 1,008. Only Minnesota (with 1,793) and Wisconsin (with 1,265) have more. We rank 9th overall in the number of townships.

States with Most Townships			
State	Township	Population 2002	Population
			Rank
Minnesota	1,793	5,059,023	21
Pennsylvania	1,546	12,351,381	6
Illinois	1,431	12,649,778	5
North Dakota	1,332	632,620	48
Ohio	1,308	11,437,908	7
Kansas	1,299	2,727,042	32
Wisconsin	1,265	5,466,929	20
Michigan	1,242	10,068,311	8
Indiana	1,008	6,191,719	14
South Dakota	940	763,913	46

U.S. Census Bureau, 2002 Census of Governments

Only 20 states use the township form of government. While Indiana's population is approximately 2.1% of the nation's total population, we have over 6.1% of the nation's townships.

Even more striking is the number of assessment jurisdictions in Indiana. Our

1,008 jurisdictions – townships are the assessment jurisdiction – rank 6th, behind Minnesota, Wisconsin, North Dakota, Michigan, and New York. The average number of jurisdictions is 315, but that number is misleading as nearly two thirds of all assessment jurisdictions are located in those top six states. The median – the number “in the middle” is 80. One half of the states have more than 80 jurisdictions and the other half has fewer than 80.

There is good reason for fewer, rather than more, assessment jurisdictions. Resources can be more effectively applied in districts with larger numbers of parcels. The use of computer technology requires the commitment of resources, both in the acquisition of the technology and the training of users. Larger districts with more resources enable the acquisition and use of technology.

Rank	State	Number of Assessing Jurisdictions
1	Minnesota	2,713
2	Wisconsin	1,897
3	North Dakota	1,800
4	Michigan	1,527
5	New York	1,293
6	Indiana	1,008
7	Illinois	969
8	New Jersey	567
9	Maine	492
10	Massachusetts	351

Second, rural areas often have fewer sales, both because there are fewer properties but also because residents are less likely to move as in urban areas. Determination of the market value of

property improves when the market is more active. Larger districts enable the utilization of more market sales, particularly for residential property.

Better Trained Assessors: The role of the local assessor - whether at the township or the county level—is to determine, according to state policies and rules, the true and accurate tax base in accordance with the state enacted standards and policies. The assessment function applies those standards and policies without regard to the assessing officials’ opinions, beliefs, or philosophy. The assessor, then, must follow state law and its written rules without regard to parochial or differing philosophical views of tax policy or tax burden considerations. In other words, the assessment function is ministerial, and not one that makes policy or represents taxpayers. To perform this function requires professional education and training.

In recent years, requirements for training of assessors – after they are elected to office – have been upgraded. In addition, incentives to complete that training – in the form of additional salary – have been put in place. Yet, as of August, 2007, only 237 of 837 trustee assessors have completed any training from DLGF. Township assessors have been saying for years that all they need is more training and they will be able to do the job. Yet over 70% of them still have received no training.

Indiana has long recognized the importance of professionalism in the field of real estate appraisal in the private sector. Real estate appraisers must obtain education and training in order to receive a license. The license, or certification, is required before appraising value. Indiana, in 2008, will likely impose new requirements. The new requirements will increase the education needed to an associate’s degree for (200 hours) for a residential certification and a bachelor’s degree (300 hours) for a general (all property) certification.

Yet, Indiana still does not require any education or training before placing one’s name on a ballot for the purpose of assessing property for property tax purposes. Other states, such as Illinois and Kentucky, require education, training, and certification prior to becoming an elected or appointed assessor. You wouldn’t accept treatment from a Doctor whose only qualifications were that he or she was “elected” to be a Doctor. You wouldn’t pay for legal advice from someone without a license to practice law. Why do we place the important job of valuing property for tax purposes with someone who has no qualifications?

State Ownership of Assessment Process

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 your assessor is not evaluated, they can 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 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 our 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 32 of the 2002 reassessment. In twenty-two of those counties, the reassessment contractor also made 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 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.

Hoosier taxpayers complain – with very good reason – about the complexity of the property tax. There are too many layers of government – over 2,700 with property taxing authority – too many elected offices – Hoosiers elect over 10,700 officials – and the appeal process is frightening, confusing, and intimidating.

The state must simplify local government structure, but it must also improve the transparency of local government and the actions that are funded by the property tax. Budget and spending information should be available on line in a user friendly, easily understood format. Budget hearings and other meetings that will impact the property tax payer and other citizens should be widely accessible – via the internet. Streaming video technology combined with open and accessible meetings will give taxpayers access to government decision making.

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.

Move School Operating & Welfare Costs to State Budget

Public School Operating Costs: Beginning several decades ago, the state has, over the years, taken on as part of the state general fund budget more and more of the operating “classroom” costs of Indiana’s K-12 public schools. This shift from property tax to state income and sales taxes as funding sources has been driven in large part by the federal courts requirement that funding for schools be equitable and by the trend to limit increases in property taxes.

The last major shift occurred in 2002, when state support for local public schools increased as part of the major tax restructuring package in response to the move to market value property tax assessment. As a result, now more than 85% of school operating costs are paid by state income and sales taxes. Property taxes and other local revenue sources make up the remaining 15%. Property taxes are still the major revenue source for school capital projects – whether current or paid through debt service of bond issues. In addition, school transportation expenditures are paid via the local property tax.

The state legislature enacts the operating funding formula that allocates state support. That formula includes a maximum property tax rate that may be imposed by the school corporations, as well. In other words, the state determines completely what resources are to be available for local public school operating expenditures. Given that the state makes the determination of funding levels, and the purpose is equitable funding across all corporations, it follows that the state should provide all of the funding, leaving property tax imposition decisions to local schools for those things that they determine.

The amount of the property tax levy for the purpose of funding public school operating costs is approximately \$750 million in 2007. If the state would have paid that amount in 2007, property taxes statewide would have been reduced by approximately 12.5%.

Welfare Costs: Welfare costs – as administered through the Family and Childrens’ Fund – are funded via the local property tax, as well. This is essentially a state program developed and provided by state employees. However, a significant portion of the revenue for the program comes from local (county) property tax levies.

The rationale for welfare programs is that families and children in poverty should receive some assistance from government, that assistance being aimed at providing very basic survival needs

(food and shelter – medical care is provided via the Medicaid program) and encouraging activities and behaviors that will lead the family out of poverty.

In Indiana, the need is somewhat localized – primarily in central urban cores of urban counties – but there is need in rural counties, as well. The benefit to society is better educated, more productive citizens that are not drains on governmental resources. Those benefits accrue broadly, as a better educated, productive workforce enables more economic expansion and keeps overall tax rates lower.

Decisions about welfare program activities should, then, be made at the state, rather than the local, level. Therefore, the tax revenue to support the programs should be derived from state, not local, taxes.

The total Family and Children’s Fund levy in 2007 is estimated to be \$XXXmillion. If the state would have paid that amount in 2007, property taxes statewide would have been reduced by approximately XX.X%.

ⁱ Ibid, page27.

ⁱⁱ Ibid, page 34.