

PROPERTY TAX CAPS 101

EFFECTS AND AFFECTS OF I.C. 6-1.1-20.6

ACCORDING TO WEBSTER

EFFECT:	AFFECT:
<input type="checkbox"/> the result produced by a cause or influence	<input type="checkbox"/> To have an effect on something
<input type="checkbox"/> an impression (often false) deliberately produced	<input type="checkbox"/> to have a hurtful effect on
	<input type="checkbox"/> Cause a particular condition in

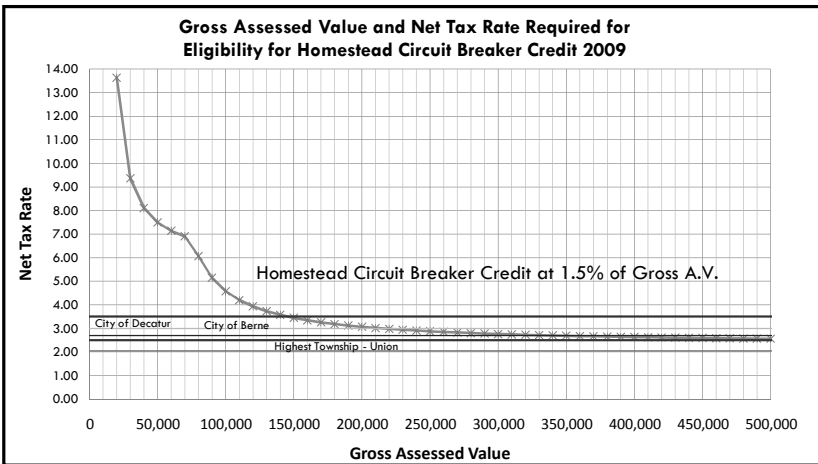
Caps Terminology

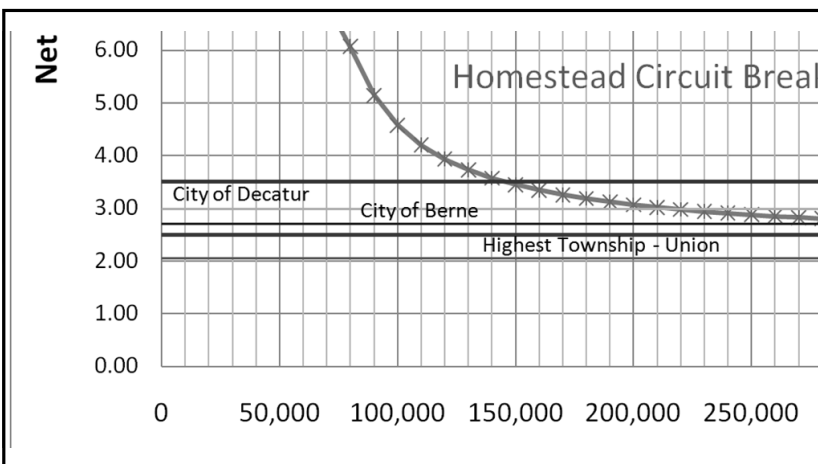
The Caps code is frequently referred to as the "Circuit Breaker" Legislation yet unlike a true "Circuit Breaker" when the percentages are realized on a tax bill or in a unit of Government they cannot be turned back on. They are permanent losses! Still many units of Government do not understand this, and must, because budgets will have to be adjusted to accommodate these cuts in revenue. Furthermore taxpayers are confused as most seen their taxes drop due to the Supplemental Homestead deduction and believe the drop was due to Property Tax Caps.

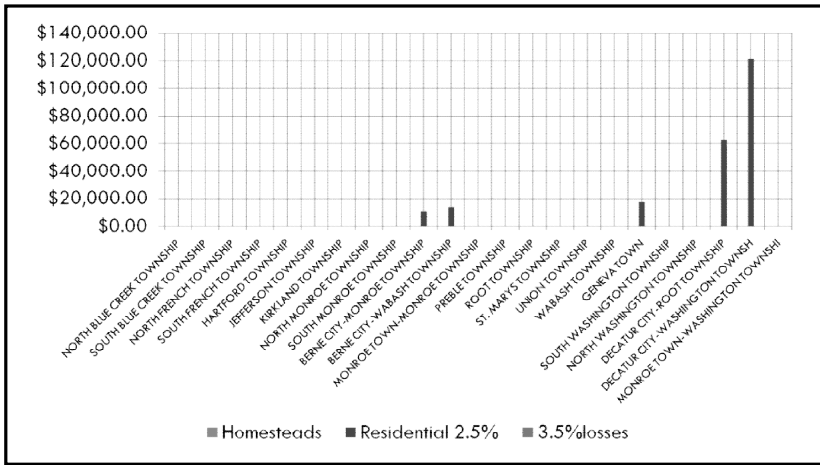
FIRST OFF SOME HISTORY

Indiana Legislature passed, in the 2008 session, the Property Tax Caps Legislation, I. C. 6-1.1-20.6 into law.

This law, effective 2008 pay 2009 taxes, started the caps at 1.5% for Homesteads, 2.5% for Agricultural Land, Residential Property (rentals and non- homestead) and Long Term Care facilities, 3.5% for all other property including personal property.







CAPS LOSSES IN 2008 pay 2009

District	1.5% Caps Losses	2.5% Losses	3.5% Losses
BERNE CITY-MONROE TOWNSHIP		\$ 11,221.02	
BERNE CITY-WABASH TOWNSHIP		\$ 13,944.92	
GENEVA TOWN		\$ 17,648.54	
DECATUR CITY-ROOT TOWNSHIP		\$ 62,729.84	
DECATUR CITY-WASHINGTON TOWNSHIP		\$ 121,281.00	
TOTAL CAPS LOSSES		\$ 226,825.32	

2008 pay 2009 Caps Losses by Unit

UNIT	1.5% Caps Loss	2.5% Caps Loss	3.5% Caps Loss
County		\$44,666.58	
North Adams Schools		\$82,615.67	
South Adams Schools		\$14,066.43	
City of Decatur		\$52,731.18	
City of Berne		\$8,167.71	
Town of Geneva		\$7,145.09	
Solid Waste		\$3,317.51	
Libraries Adams Public, Berne		\$11,209.92	
Townships (Root, Washington, Wabash, Monroe)		\$3,234.14	

Then Came 2009 pay 2010

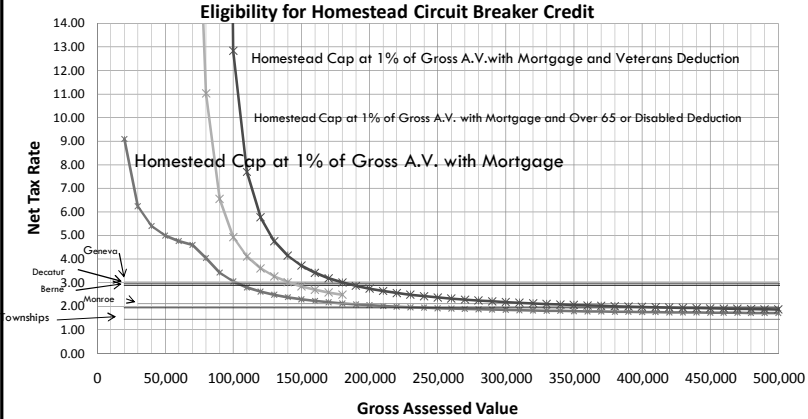
CAPS IN 2009

- Homestead 1.5%
- LTC, Ag, Res 2.5%
- All other 3.5%

CAPS IN 2010

- Homestead 1%
- LTC, AG, Res. 2%
- All other 3%

Gross Assessed Value and Net Tax Rate Required for Eligibility for Homestead Circuit Breaker Credit



HOW THE HOMESTEAD DEDUCTION IS CALCULATED

The Homestead calculation is based on the Gross Assessed Value of the home. The amount of the deduction 60% of the homes assessed value or \$45,000. This amount is subtracted away from the Gross Assessed value of the home and then the Supplemental Homestead amount is calculated. The Supplemental Homestead Amount is the net assessed value time a percentage. If the Gross assessed value is less than \$600,000 then the net is multiplied by 35% and this amount is then subtracted away from the amount determined from the Gross amount minus the Homestead deduction. If the home has a gross assessed value of over \$600,000 you subtract \$600,000 from the gross assessed value, subtract \$45,000 from this product and multiply it by 25% and subtract that amount from the remainder of the amount over \$600,000. Then subtract the 35% of \$600,000 from \$600,000 and add the two products together for the final net assessed value.

HOW THE HOMESTEAD DEDUCTION IS CALCULATED

Example: Home is assessed at \$70,000. The Homestead deduction would be 60% of this or \$42,000 for a net assessment prior to the Supplemental Calculation of \$70,000 - \$42,000 or \$28,000 taxable assessed value.

The \$28,000 is then multiplied by 35% for a sum of \$9,800 which is subtracted from the \$28,000 for a taxable assessed value of \$18,200 or 26% of the Gross assessed value of the Homestead Property.

HOW THE HOMESTEAD DEDUCTION IS CALCULATED

If the homes gross Assessed value is less than \$600,000 but greater than \$75,000.

Example: Home with a gross assessed value of \$150,000. you subtract the Homestead Deduction of \$45,000 and multiply the product by 35%. $\$15,000 - \$45,000 = \$105,000$ / $\$105,000$ times 35% equals \$36,750. Subtract the supplemental from the net and you would come up with \$68,300 (nearest 100 of Av for taxes) of taxable Assessed value or 45% of the Gross assessed value of the homestead qualified property

HOW THE HOMESTEAD DEDUCTION IS CALCULATED

If the home is assessed at greater than \$600,000.

Home assessed at \$800,000. you first subtract \$45,000 from the \$800,000 for a product of \$755,000. Take 35% for the first \$600,000 (\$210,000) and 25% of the remaining \$155,000 (\$38,800)

Now take Gross Assessed value and subtract the \$45,000 deduction and the Supplemental Deduction (\$248,800) for a taxable Assessed Value of \$506,200 or 63% of their Gross Assessed value

HOMESTEAD - ASSESSMENT

CIRCUIT BREAKER FOR YOUR PROPERTY

TS-1 Homestead with Geo Thermal Rural

TABLE 1: SUMMARY OF YOUR TAXES

TAX SUMMARY ITEM	2009	2010
1. Gross assessed value of property		
1a. Gross assessed value of land	\$ 24,900	\$ 24,900
1b. Gross assessed value of improvements (including personal property)	\$ 123,500	\$ 130,500
2. Equals total gross assessed value of property	\$ 148,400	\$ 155,200
2a. Minus deductions (see table 3 below)	\$ 64,300	\$ 65,300
2b. Minus State supplemental deduction (see table 5 below)	\$ 2,660	\$ 25,970
3. Equals subtotal of net assessed value of property	\$ 81,410	\$ 63,930
3a. Multiplied by your local tax rate	\$ 1,4433	\$ 1,4927
4. Equals gross tax liability (see table 3 below)	\$ 741.50	\$ 818.54
4a. Minus local property tax credits	\$ -34.80	\$ -32.66
4b. Minus State Homestead credit	\$ -44.80	\$ -25.00
4c. Minus savings due to property tax cap (information on cap found in Table 2 below)	\$ 0.00	\$ 0.00
4d. Minus savings due to 65 years & older cap	\$ 0.00	\$ 0.00
5. Total property tax liability	\$ 661.90	\$ 760.88

TABLE 2: PROPERTY TAX CAP INFORMATION

Property tax cap (equal to 1%, 2%, or 3% of Line 2, depending upon type of property)	2009	2010
Property tax cap	\$ 2,426.00	\$ 1,752.00
Adjustment to cap due to voter-approved projects and charges ¹	\$ 0.00	\$ 0.00
Maximum tax that may be imposed under cap	\$ 2,426.00	\$ 1,752.00

Rates would have to go up \$2,3717 or 259.8% to reach caps

CIRCUIT BREAKER FOR YOUR PROPERTY

TS-1 Homestead with Supplemental and Mortgage Rural - Preble

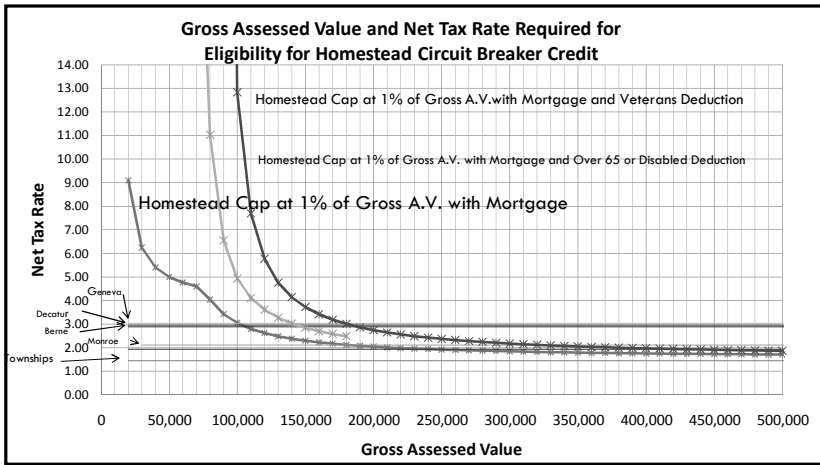
TABLE 1: SUMMARY OF YOUR TAXES

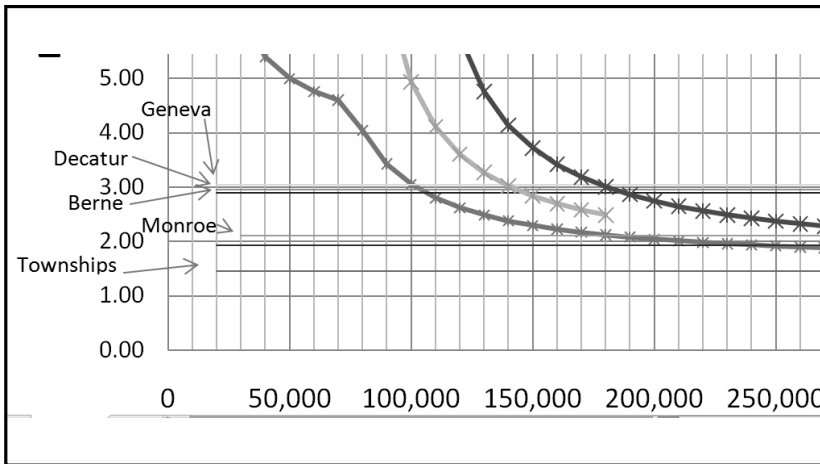
TAX SUMMARY ITEM	2009	2010
1. Gross assessed value of property		
1a. Gross assessed value of land	\$ 36,000	\$ 36,000
1b. Gross assessed value of improvements (including personal property)	\$ 166,400	\$ 170,800
2. Equals total gross assessed value of property	\$ 202,400	\$ 206,800
2a. Minus deductions (see table 3 below)	\$ 48,000	\$ 48,000
2b. Minus State supplemental deduction (see table 3 below)	\$ 49,700	\$ 51,240
3. Equals subtotal of net assessed value of property	\$ 104,700	\$ 107,560
3a. Multiplied by your local tax rate	\$ 2,0368	\$ 2,1973
4. Equals gross tax liability (see table 3 below)	\$ 2,132.52	\$ 2,117.50
4a. Minus local property tax credits	\$ -166.90	\$ -143.06
4b. Minus State Homestead credit	\$ -183.84	\$ -67.94
4c. Minus savings due to property tax cap (information on cap found in Table 2 below)	\$ 0.00	\$ 0.00
4d. Minus savings due to 65 years & older cap	\$ 0.00	\$ 0.00
5. Total property tax liability	\$ 1,829.78	\$ 1,910.50

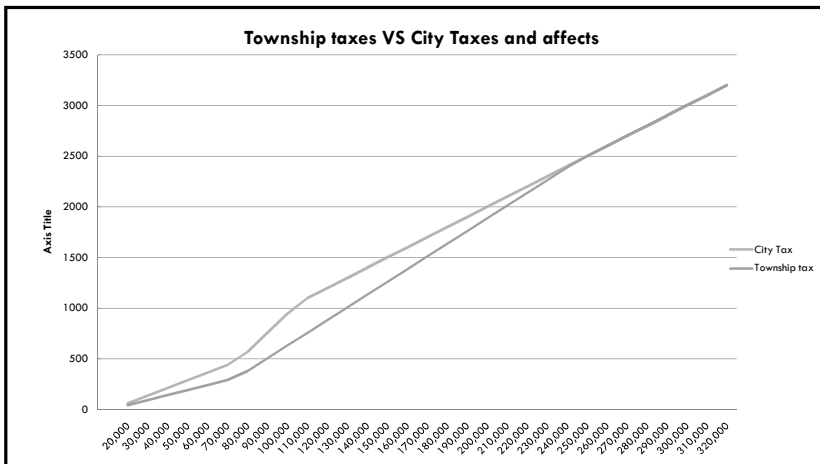
TABLE 2: PROPERTY TAX CAP INFORMATION

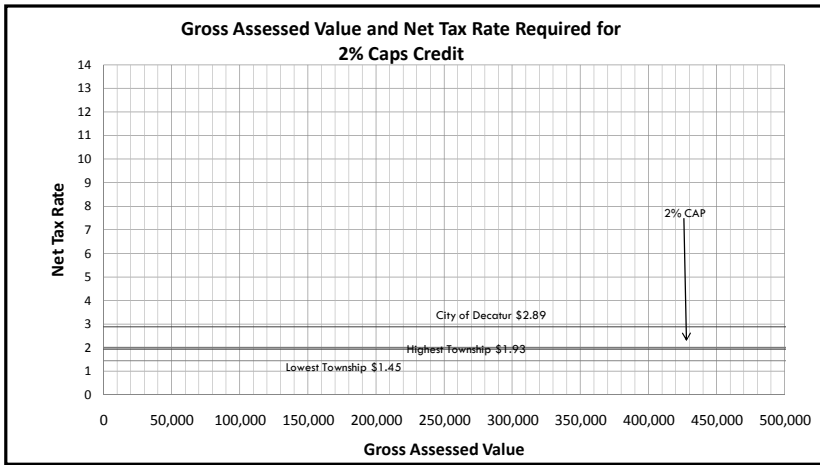
Property tax cap (equal to 1%, 2%, or 3% of Line 2, depending upon type of property)	2009	2010
Property tax cap	\$ 3,344.00	\$ 2,376.00
Adjustment to cap due to voter-approved projects and charges ¹	\$ 0.00	\$ 0.00
Maximum tax that may be imposed under cap	\$ 3,344.00	\$ 2,376.00

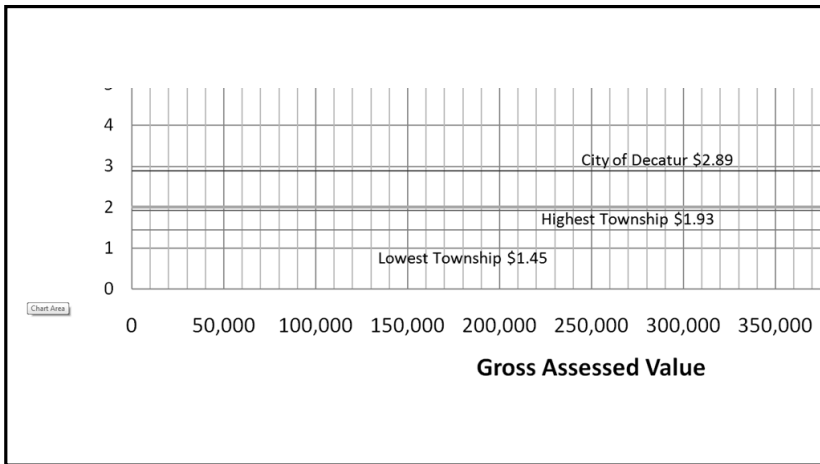
Rates would have to go up \$3766 or 119.09% to reach caps

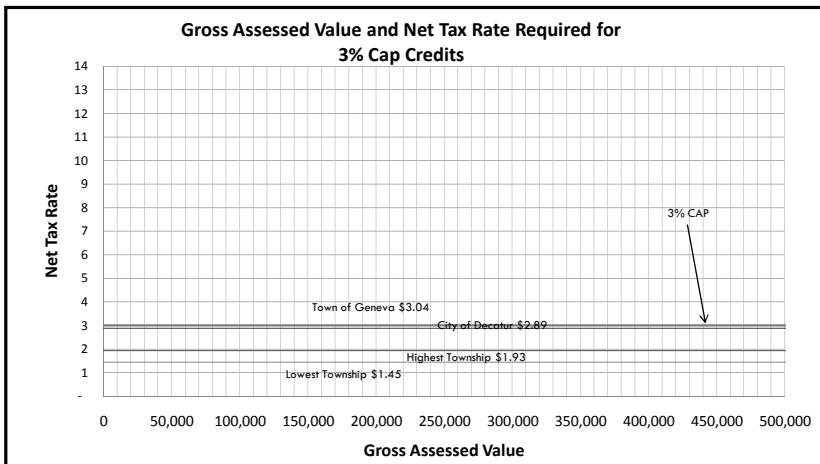


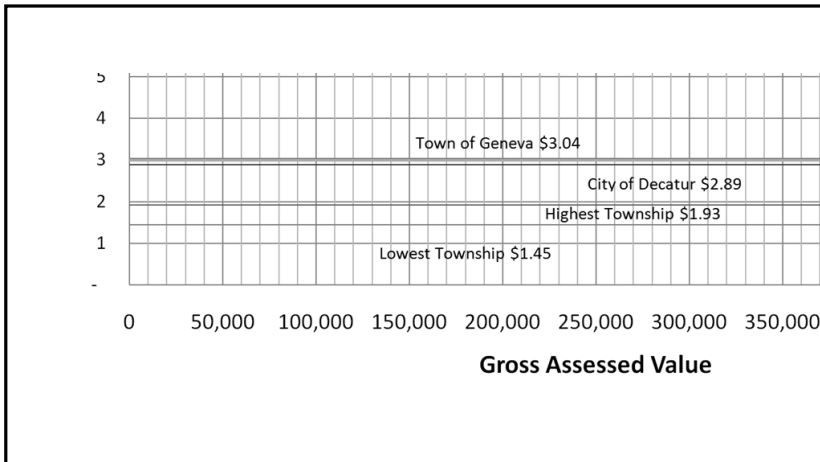










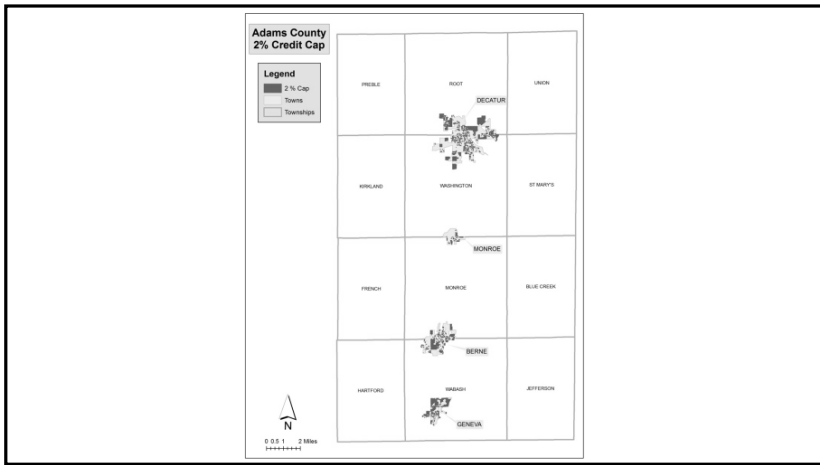


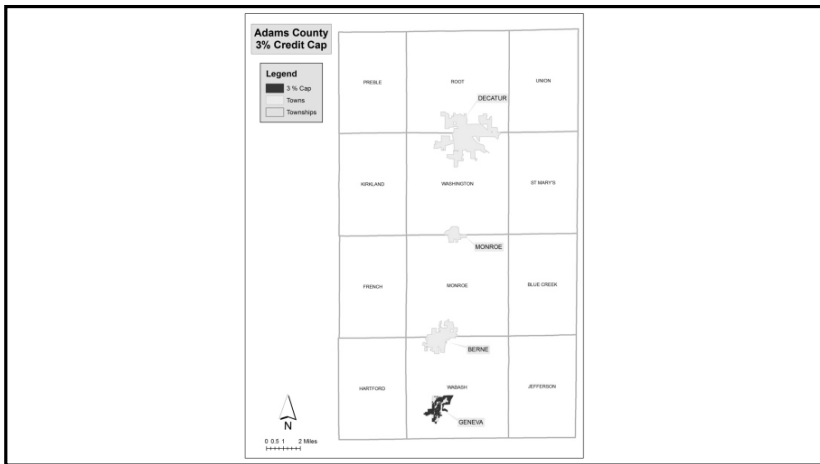
CAPS LOSSES IN 2009 pay 2010

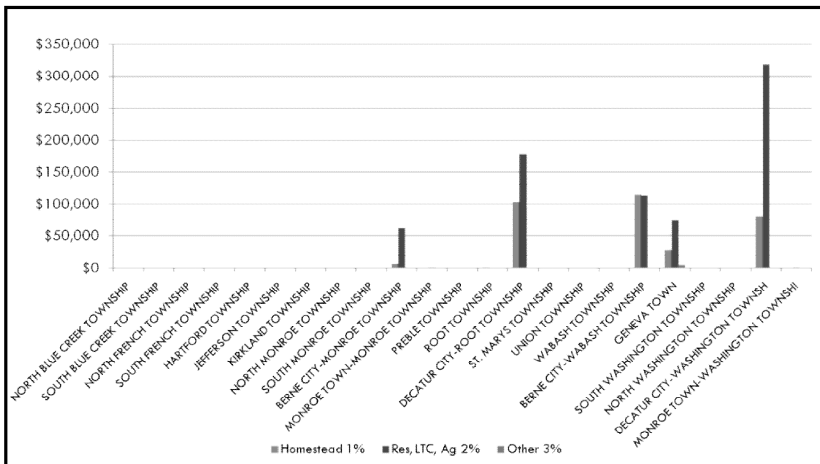
District	1% Caps Losses	2% Losses	3% Losses
BERNE CITY-MONROE TOWNSHIP	\$6,664.66	\$ 61,901.08	
BERNE CITY-WABASH TOWNSHIP	\$114,667.38	\$ 113,524.90	
GENEVA TOWN	\$28,201.36	\$ 74,183.98	\$4,376.22
DECATUR CITY-ROOT TOWNSHIP	\$103,191.24	\$ 177,135.12	
DECATUR CITY-WASHINGTON TOWNSHIP	\$80,962.14	\$ 318,486.34	
MONROE TOWN - MONROE TOWNSHIP		\$997.58	
ROOT TOWNSHIP	\$828.52		
MONROE TOWN - WASHINGTON TOWNSHIP		\$554.56	
TOTAL CAPS LOSSES BY CATEGORY	\$334,515.30	\$746,783.76	\$4,376.22
GRAND TOTAL CAPS LOSSES			\$1,085,675.28

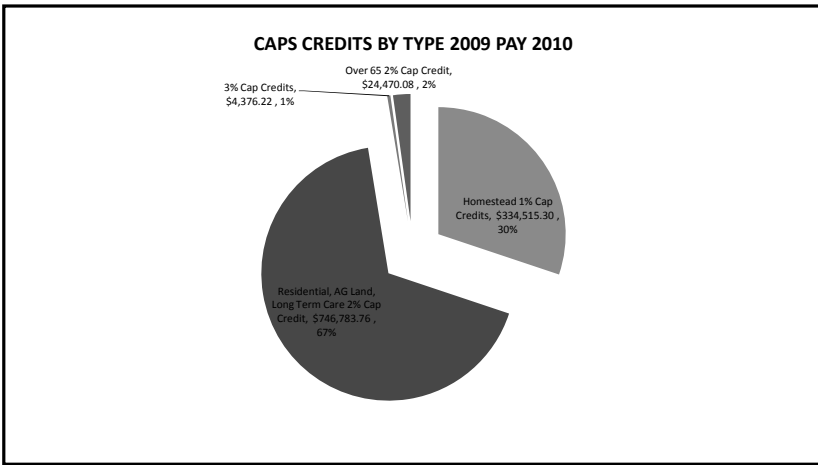
WHAT LSA PREDICTED

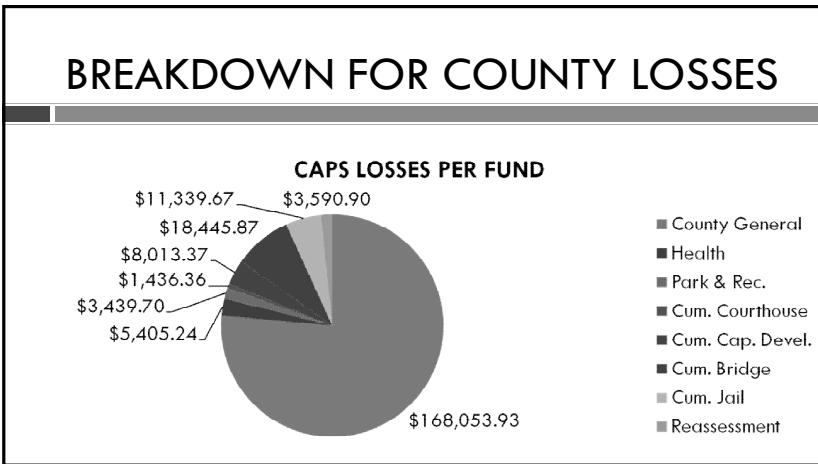
County	Unit Name	Current Law Estimated Credits		
		2009	2010	2011
Summary By County				
Adams		232,216 ^	1,147,201	1,202,407
Allen		4,758,883 ^	23,263,456	26,504,532
Bartholomew		80,422 ^	2,139,703	2,631,120
Benton		61,419 ^	284,676	274,997

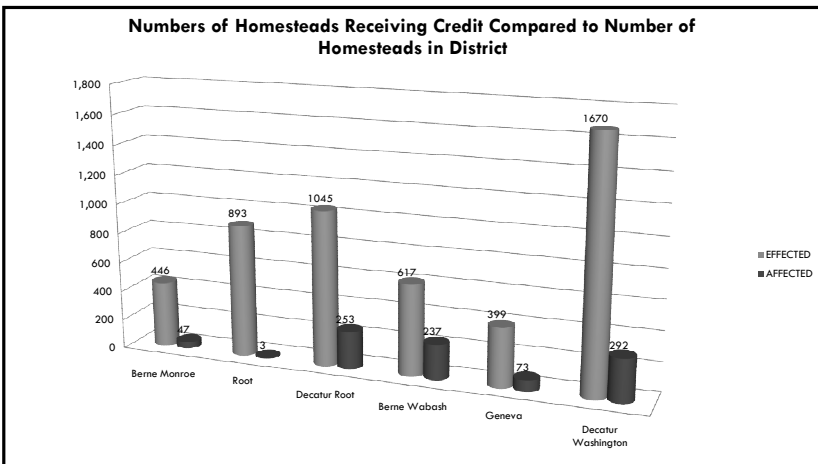


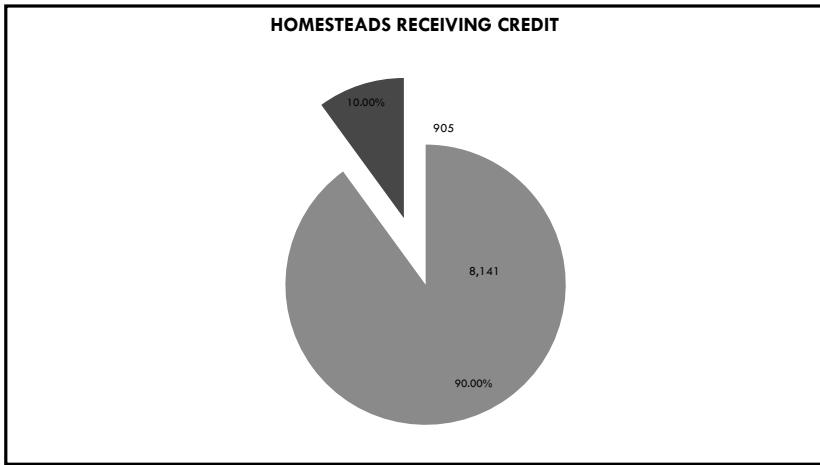


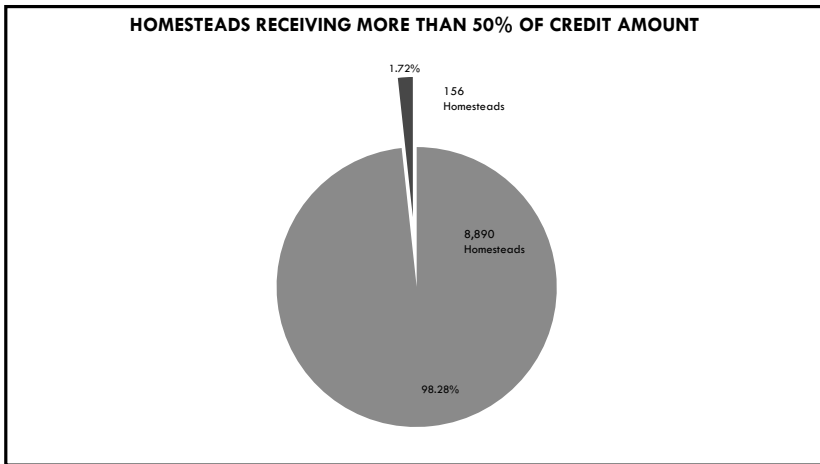


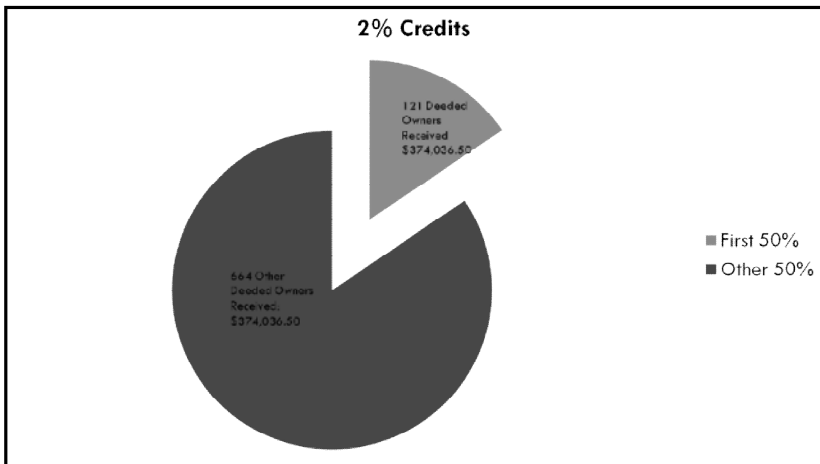












UNINTENDED CONSEQUENCES

All the bumps in the road yet defined



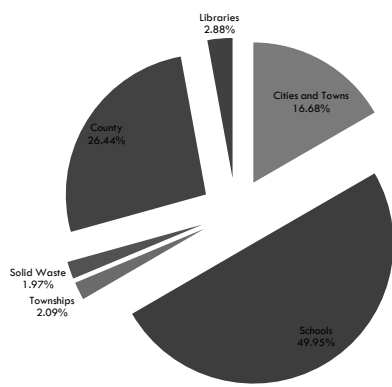
SEVERAL OBSERVATIONS

- Developers Land Value
- Parcels not combined
- Utilization/non utilization of Exemptions/deduction
- How much extra did IN taxpayers pay to feds because they "saved" on Property Taxes
- And on
- And on

THOUGHTS

- If caps are the solution to taxation issues why doesn't the caps include Sales and Income taxes?
- Lower taxes = less services.

COUNTY TAX REVENUES BY TYPE OF UNIT



Breakdown of County Tax Revenue by Fund

