

HOUSE BILL No. 1046

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-4.

Synopsis: Property tax liability. Provides that, if the assessed value of real property is reduced as a result of a property tax appeal, the subsequent assessed value of the real property may not be increased by more than 3% per year for the next three years after the assessment date in which the reduction was applied. Specifies that the 3% limitation does not apply to any part of a change in an assessment: (1) that is directly applicable to any change in an objective factor or feature relating to the property, including an improvement or enlargement of the property; or (2) that results from the correction of an error or omission, including the correction of a mathematical error.

Effective: Upon passage.

Culver

January 4, 2017, read first time and referred to Committee on Ways and Means.



First Regular Session of the 120th General Assembly (2017)

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 2016 Regular Session of the General Assembly.

HOUSE BILL No. 1046

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 6-1.1-4-4.2, AS AMENDED BY P.L.111-2014,
2 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 4.2. (a) The county assessor of each county
4 shall, before July 1, 2013, and before May 1 of every fourth year
5 thereafter, prepare and submit to the department of local government
6 finance a reassessment plan for the county. The following apply to a
7 reassessment plan prepared and submitted under this section:
8 (1) The reassessment plan is subject to approval by the
9 department of local government finance. The department of local
10 government finance shall complete its review and approval of the
11 reassessment plan before:
12 (A) March 1, 2015; and
13 (B) January 1 of each subsequent year that follows a year in
14 which the reassessment plan is submitted by the county.
15 (2) The department of local government finance shall determine
16 the classes of real property to be used for purposes of this section.
17 (3) Except as provided in subsection (b), the reassessment plan



1 must divide all parcels of real property in the county into four (4)
 2 different groups of parcels. Each group of parcels must contain
 3 approximately twenty-five percent (25%) of the parcels within
 4 each class of real property in the county.

5 (4) Except as provided in subsection (b), all real property in each
 6 group of parcels shall be reassessed under the county's
 7 reassessment plan once during each four (4) year cycle.

8 (5) The reassessment of a group of parcels in a particular class of
 9 real property shall begin on May 1 of a year.

10 (6) The reassessment of parcels:

11 (A) must include a physical inspection of each parcel of real
 12 property in the group of parcels that is being reassessed; ~~and~~

13 (B) shall be completed on or before January 1 of the year after
 14 the year in which the reassessment of the group of parcels
 15 begins; **and**

16 **(C) is subject to any limitation on increases to assessed**
 17 **value of real property applicable under section 45 of this**
 18 **chapter.**

19 (7) For real property included in a group of parcels that is
 20 reassessed, the reassessment is the basis for taxes payable in the
 21 year following the year in which the reassessment is to be
 22 completed.

23 (8) The reassessment plan must specify the dates by which the
 24 assessor must submit land values under section 13.6 of this
 25 chapter to the county property tax assessment board of appeals.

26 (9) Subject to review and approval by the department of local
 27 government finance, the county assessor may modify the
 28 reassessment plan.

29 (b) A county may submit a reassessment plan that provides for
 30 reassessing more than twenty-five percent (25%) of all parcels of real
 31 property in the county in a particular year. A plan may provide that all
 32 parcels are to be reassessed in one (1) year. However, a plan must
 33 cover a four (4) year period. All real property in each group of parcels
 34 shall be reassessed under the county's reassessment plan once during
 35 each reassessment cycle.

36 (c) The reassessment of the first group of parcels under a county's
 37 reassessment plan shall begin on July 1, 2014, and shall be completed
 38 on or before January 1, 2015.

39 (d) The department of local government finance may adopt rules to
 40 govern the reassessment of property under county reassessment plans.

41 SECTION 2. IC 6-1.1-4-4.5, AS AMENDED BY P.L.180-2016,
 42 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE



1 UPON PASSAGE]: Sec. 4.5. (a) The department of local government
 2 finance shall adopt rules establishing a system for annually adjusting
 3 the assessed value of real property to account for changes in value in
 4 those years since a reassessment under section 4 or 4.2 of this chapter
 5 for the property last took effect.

6 (b) Subject to subsection (e) **and section 45 of this chapter**, the
 7 system must be applied to adjust assessed values beginning with the
 8 2006 assessment date and each year thereafter that is not a year in
 9 which a reassessment under section 4 or 4.2 of this chapter for the
 10 property becomes effective.

11 (c) The rules adopted under subsection (a) must include the
 12 following characteristics in the system:

13 (1) Promote uniform and equal assessment of real property within
 14 and across classifications.

15 (2) Require that assessing officials:

16 (A) reevaluate the factors that affect value;

17 (B) express the interactions of those factors mathematically;

18 (C) use mass appraisal techniques to estimate updated property
 19 values within statistical measures of accuracy; and

20 (D) provide notice to taxpayers of an assessment increase that
 21 results from the application of annual adjustments.

22 (3) Prescribe procedures that permit the application of the
 23 adjustment percentages in an efficient manner by assessing
 24 officials.

25 (d) The department of local government finance must review and
 26 certify each annual adjustment determined under this section.

27 (e) In making the annual determination of the base rate to satisfy the
 28 requirement for an annual adjustment under subsection (c) for the
 29 January 1, 2016, assessment date and each assessment date thereafter,
 30 the department of local government finance shall determine the base
 31 rate using the methodology reflected in Table 2-18 of Book 1, Chapter
 32 2 of the department of local government finance's Real Property
 33 Assessment Guidelines (as in effect on January 1, 2005), except that
 34 the department shall adjust the methodology as follows:

35 (1) Use a six (6) year rolling average adjusted under subdivision
 36 (3) instead of a four (4) year rolling average.

37 (2) Use the data from the six (6) most recent years preceding the
 38 year in which the assessment date occurs for which data is
 39 available, before one (1) of those six (6) years is eliminated under
 40 subdivision (3) when determining the rolling average.

41 (3) Eliminate in the calculation of the rolling average the year
 42 among the six (6) years for which the highest market value in use



1 of agricultural land is determined.

2 (4) After determining a preliminary base rate that would apply for
3 the assessment date without applying the adjustment under this
4 subdivision, the department of local government finance shall
5 adjust the preliminary base rate as follows:

6 (A) If the preliminary base rate for the assessment date would
7 be at least ten percent (10%) greater than the final base rate
8 determined for the preceding assessment date, a capitalization
9 rate of eight percent (8%) shall be used to determine the final
10 base rate.

11 (B) If the preliminary base rate for the assessment date would
12 be at least ten percent (10%) less than the final base rate
13 determined for the preceding assessment date, a capitalization
14 rate of six percent (6%) shall be used to determine the final
15 base rate.

16 (C) If neither clause (A) nor clause (B) applies, a capitalization
17 rate of seven percent (7%) shall be used to determine the final
18 base rate.

19 (D) In the case of a market value in use for a year that is used
20 in the calculation of the six (6) year rolling average under
21 subdivision (1) for purposes of determining the base rate for
22 the assessment date:

23 (i) that market value in use shall be recalculated by using the
24 capitalization rate determined under clauses (A) through (C)
25 for the calculation of the base rate for the assessment date;
26 and

27 (ii) the market value in use recalculated under item (i) shall
28 be used in the calculation of the six (6) year rolling average
29 under subdivision (1).

30 (f) For assessment dates after December 31, 2009, an adjustment in
31 the assessed value of real property under this section shall be based on
32 the estimated true tax value of the property on the assessment date that
33 is the basis for taxes payable on that real property.

34 SECTION 3. IC 6-1.1-4-45 IS ADDED TO THE INDIANA CODE
35 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
36 UPON PASSAGE]: **Sec. 45. (a) This section applies to an assessment
37 for which a petition for review under IC 6-1.1-15-1 is filed:**

38 **(1) after the effective date of this section; or**

39 **(2) before the effective date of this section and is still pending
40 review or an appeal to the Indiana board, the tax court, or the
41 Indiana supreme court on the effective date of this section.**

42 **(b) This section applies to real property for which the original**



1 assessed value of the real property is reduced as the result of a final
 2 determination in a review or an appeal of the assessment initiated
 3 under IC 6-1.1-15.

4 (c) For purposes of this section, "final determination" means
 5 any of the following:

6 (1) An agreed upon resolution signed by the taxpayer and the
 7 county or township official under IC 6-1.1-15-1(i).

8 (2) A written determination of the county board that is not
 9 reviewed by the Indiana board.

10 (3) A stipulated determination entered by the county board
 11 under IC 6-1.1-15-2.5(g) that is not reviewed by the Indiana
 12 board.

13 (4) A decision or order of the:

14 (A) Indiana board that is not appealed to the tax court;

15 (B) tax court that is not appealed to the Indiana supreme
 16 court; or

17 (C) Indiana supreme court.

18 (d) For each of the next three (3) years after an assessment date
 19 for which the assessed value of real property is reduced as
 20 described in subsection (b), an assessing official may not increase
 21 the assessed value of the real property to an amount that exceeds
 22 the lesser of the following:

23 (1) The amount determined under STEP TWO of the
 24 following formula:

25 STEP ONE: Determine the assessed value of the real
 26 property for the immediately preceding year, as
 27 determined after applying the final determination in the
 28 review or appeal of the assessment and (if applicable) this
 29 section.

30 STEP TWO: Increase the STEP ONE amount to the lesser
 31 of:

32 (A) the result of the STEP ONE amount as adjusted by
 33 applying to the assessed value of the real property the
 34 applicable annual adjustment for the assessment date as
 35 determined under rules adopted under section 4.5 of this
 36 chapter; or

37 (B) the result of the STEP ONE amount multiplied by
 38 one hundred three percent (103%).

39 (2) The assessed value of the property as determined by any
 40 other method permitted under this article.

41 (e) The limits in this section do not apply to any part of a change
 42 in an assessment:



1 **(1) that is directly applicable to any change in an objective**
2 **factor or feature relating to a property, including an**
3 **improvement or enlargement of the property; or**
4 **(2) that results from the correction of an error or omission,**
5 **including the correction of a mathematical error.**
6 **(f) An assessing official shall apply this section without the**
7 **initiation of a review by the taxpayer.**
8 **SECTION 4. An emergency is declared for this act.**

