

# Indiana Property Taxes in 2022 and Beyond

July 12, 2022

Larry DeBoer  
Emeritus Professor, Agricultural Economics  
Purdue University

A decorative graphic at the bottom of the slide consists of a dark olive green area on the left, a black horizontal band, and a light tan area on the right, all with a subtle diagonal line pattern.

# Assessed Values, Levies, Rates and Credits

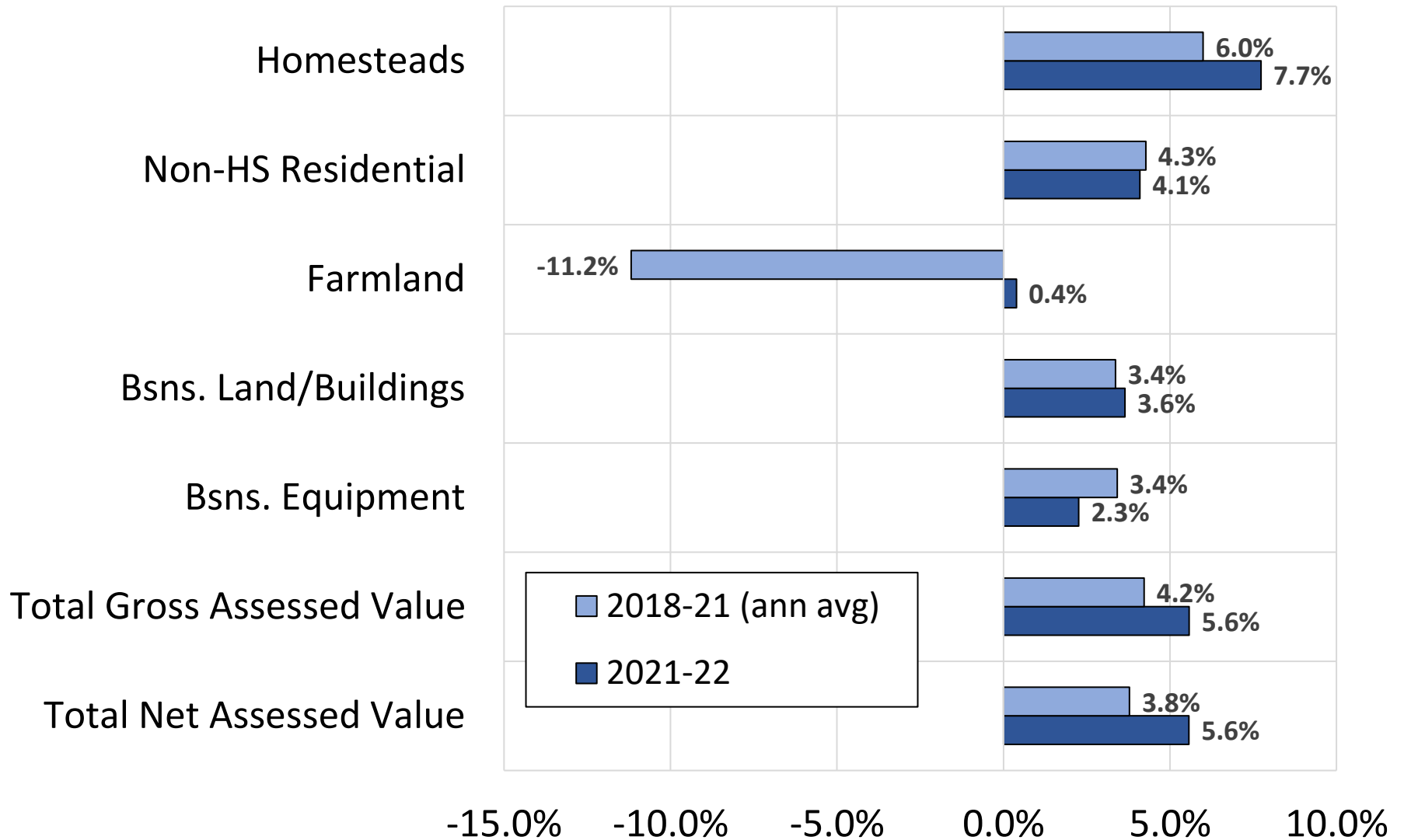
# Indiana Property Tax

$$\frac{\text{Levy, under Max Levy}}{\text{Net Assessed Value}} = \text{Tax Rate}$$

$$\text{Tax Rate} \times \text{Parcel Net AV} = \text{Tax Bill}$$

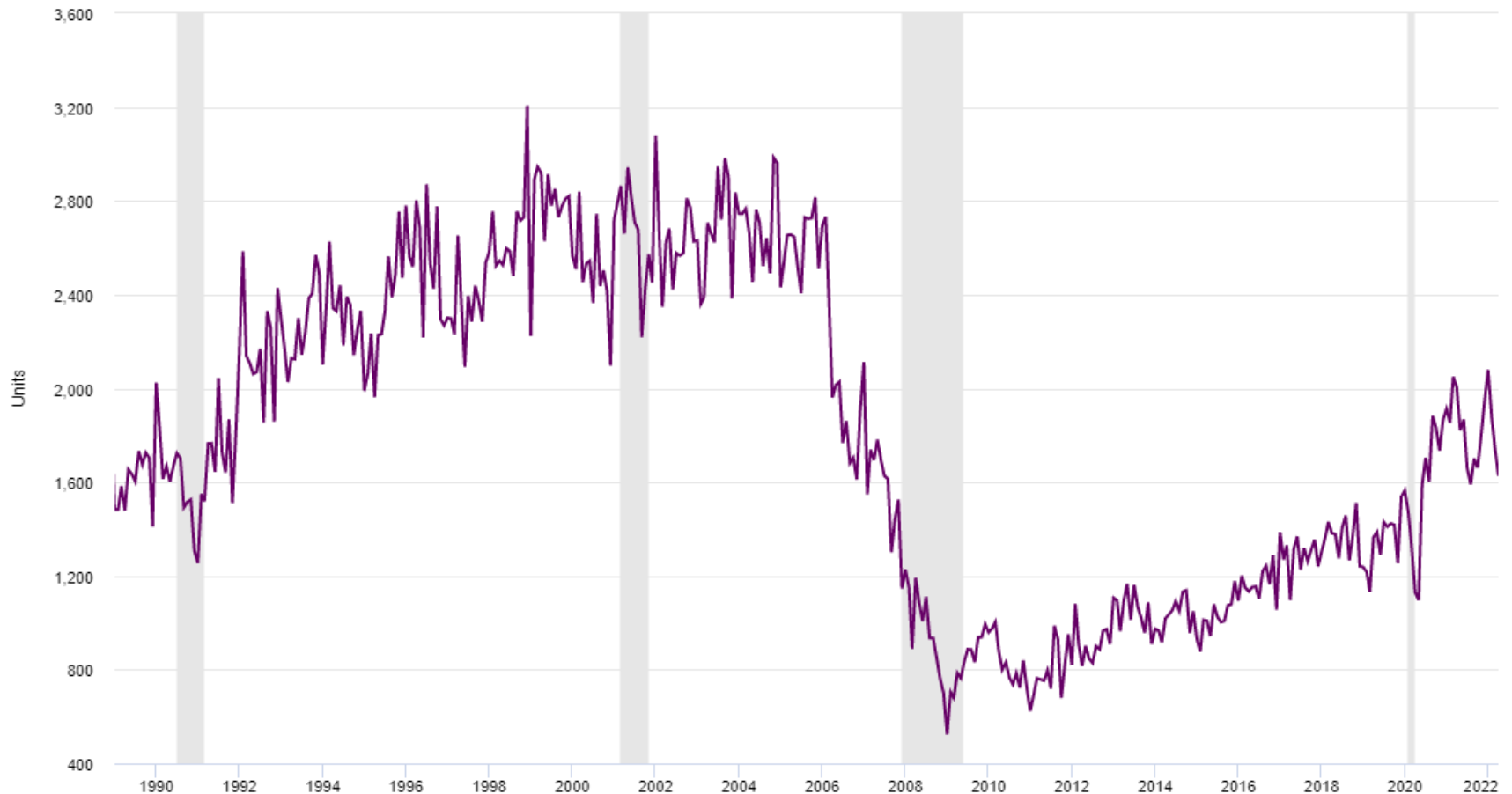
Subject to Constitutional Tax Caps

# Assessed Value Growth by Property Type, 2018-2022



# Indiana Home Building Permits

**FRED**  — New Private Housing Units Authorized by Building Permits: 1-Unit Structures for Indiana



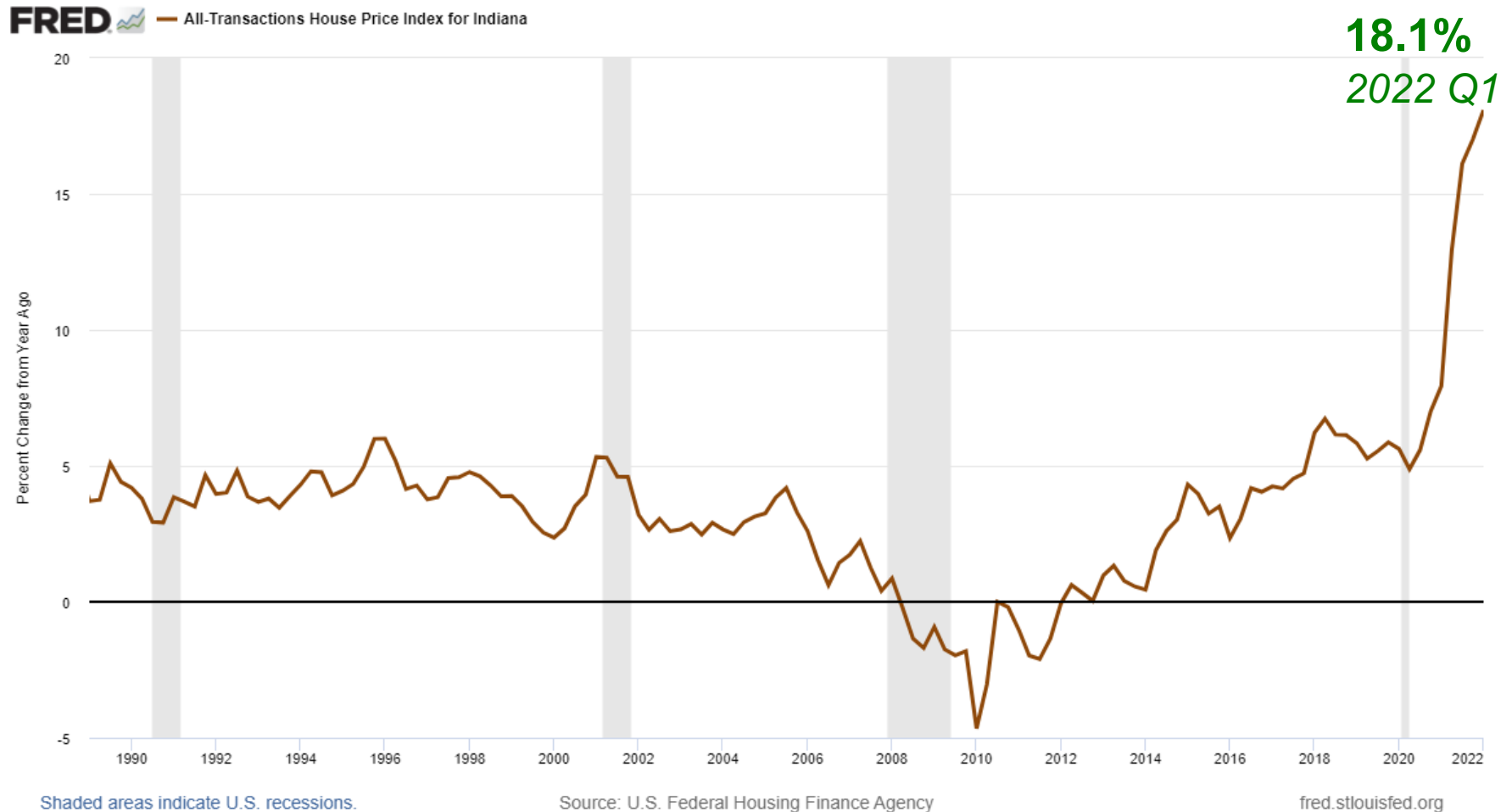
Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

fred.stlouisfed.org

# Indiana Home Price Index

(percent change from previous year)



**Calculation of the Base Rate for an Acre of Farmland**

**Final**

**Assessment Year 2022; Tax Year 2023**

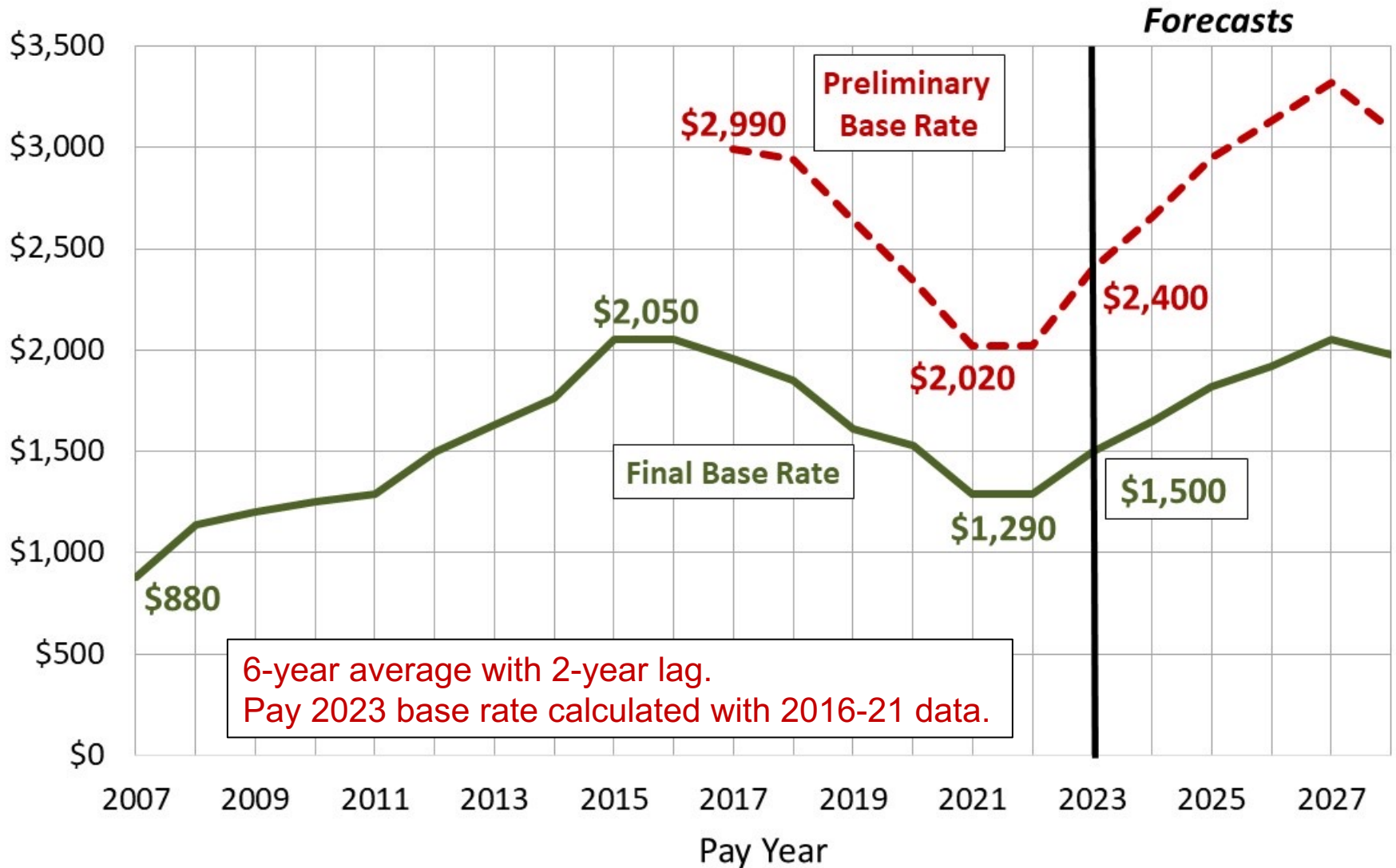
**NET INCOMES**

**MARKET VALUE IN USE**

Year	Cash Rent	Operating	Cap. Rate	Cash Rent	Operating	Average
2016	173	75	8.00%	2,163	938	1,550
2017	175	30	8.00%	2,188	375	1,281
2018	181	51	8.00%	2,263	638	1,450
2019	181	6	8.00%	2,263	75	1,169
2020	192	135	8.00%	2,400	1,688	2,044
2021	206	288	8.00%	2,575	3,600	3,088
<b>Average Market Value in Use</b>						<b>\$1,500</b>
<b>Previous Year</b>						<b>\$1,290</b>
<b>Percent Change</b>						<b>16.3%</b>

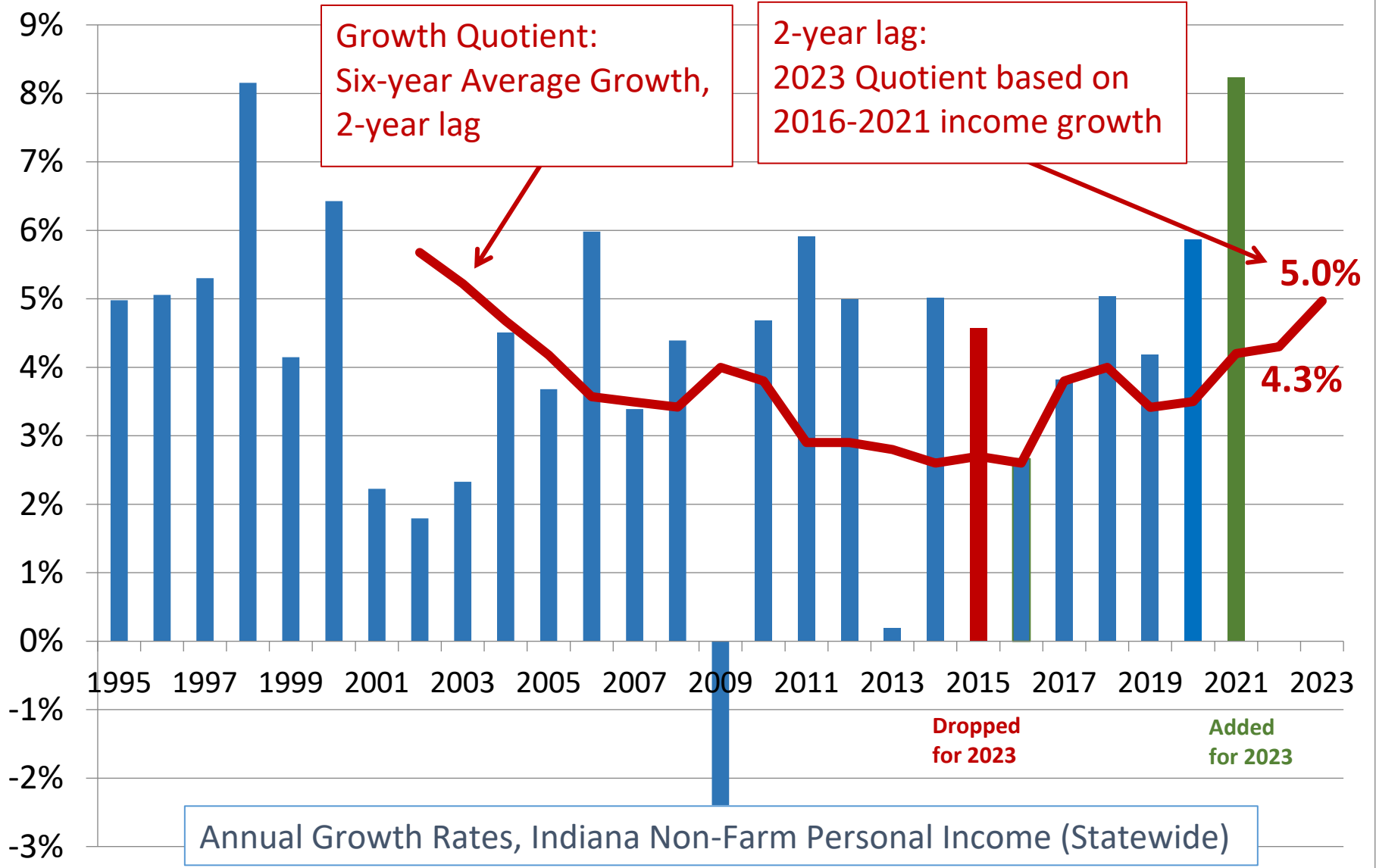
Year	Cash Rent	Operating	Cap. Rate	Cash Rent	Operating	Average
2015	198	-39	8.00%	2,475	-488	994

# Base Rate per Acre of Farmland for Property Taxation Preliminary and Final , Pay 2007-23 and Forecasts to Pay 2028

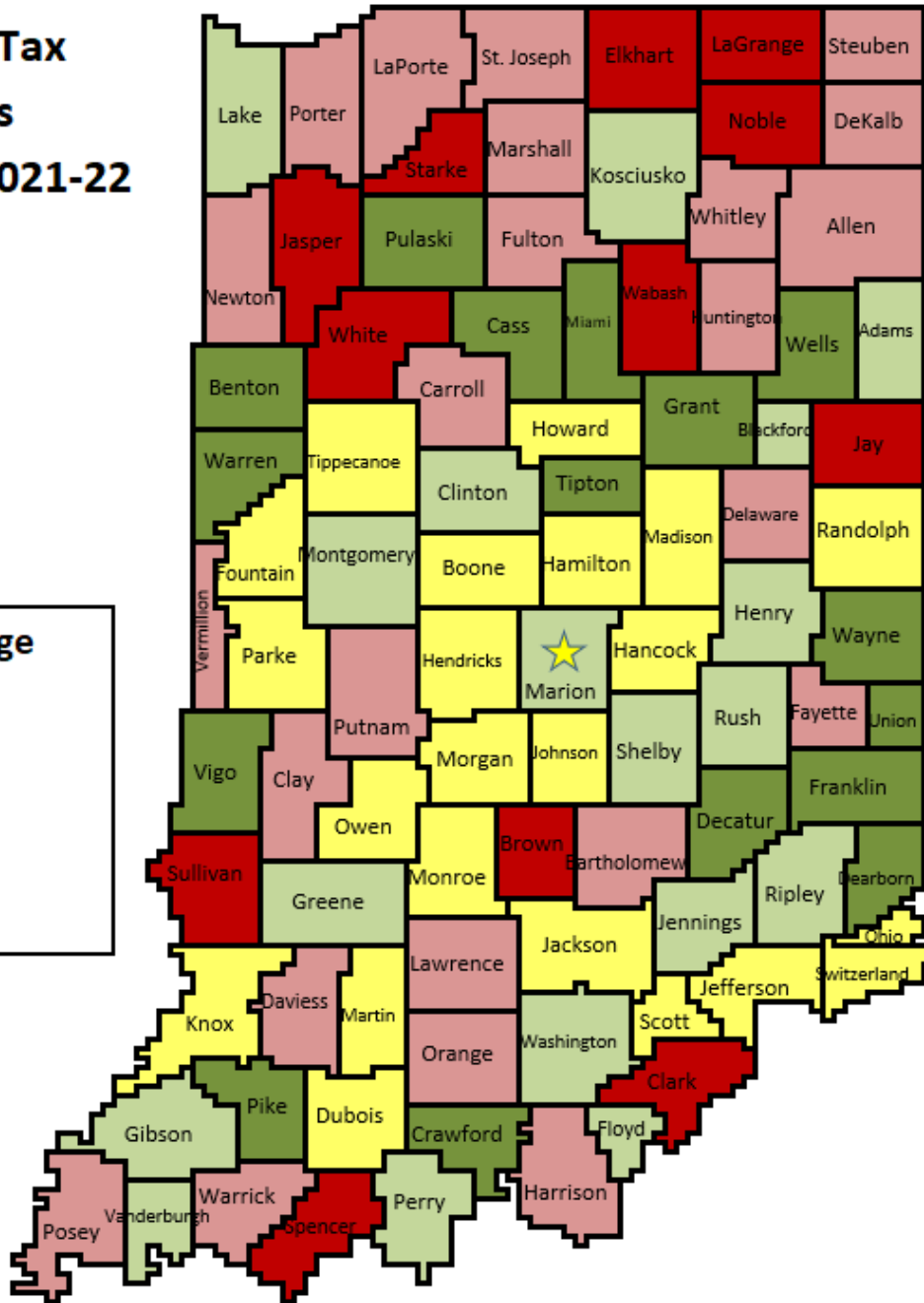
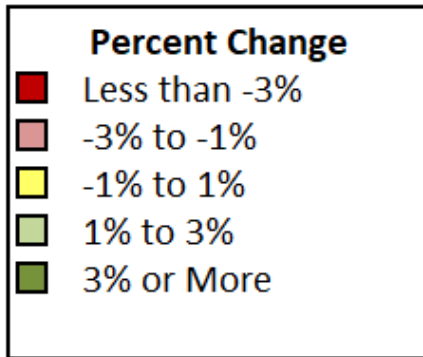




# Calculation of Property Tax Maximum Levy Growth Quotient 2002 - 2023

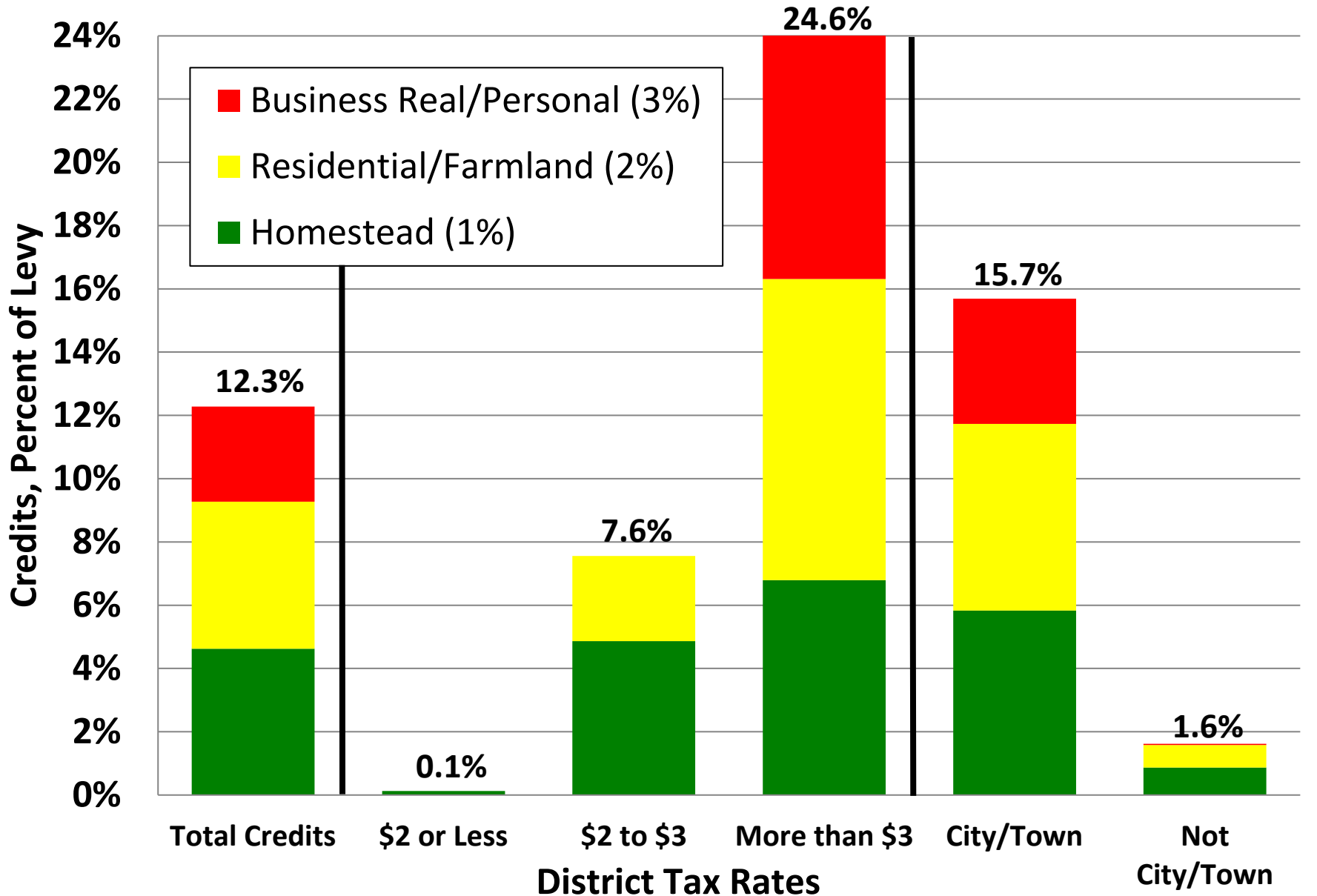


**Avg. Property Tax  
Rates, All Units  
Pct. Change, 2021-22**

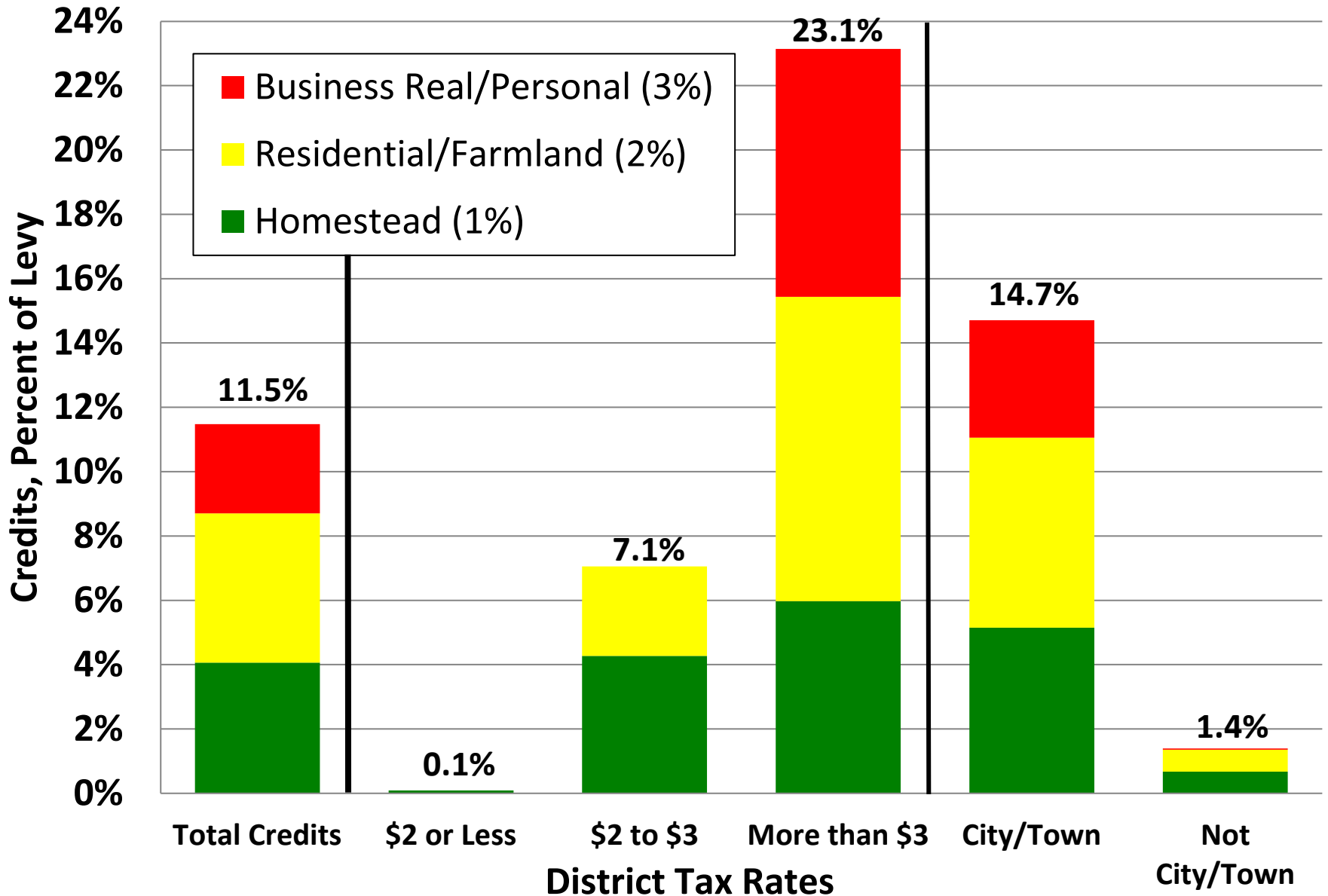


**51 of 92  
Counties  
had  
average  
rate  
decreases.**

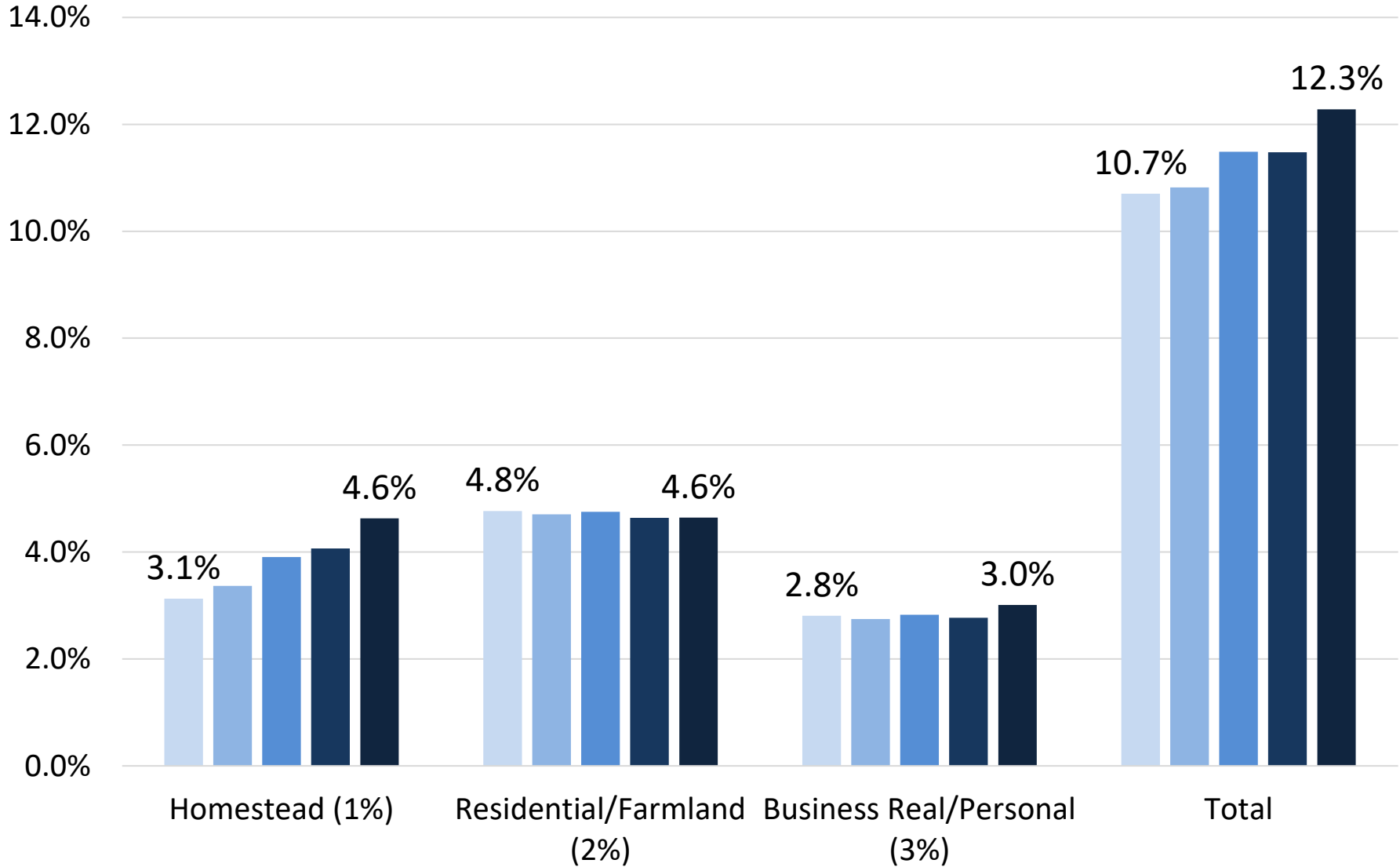
# Tax Cap Credits as Percent of Levy, 2022



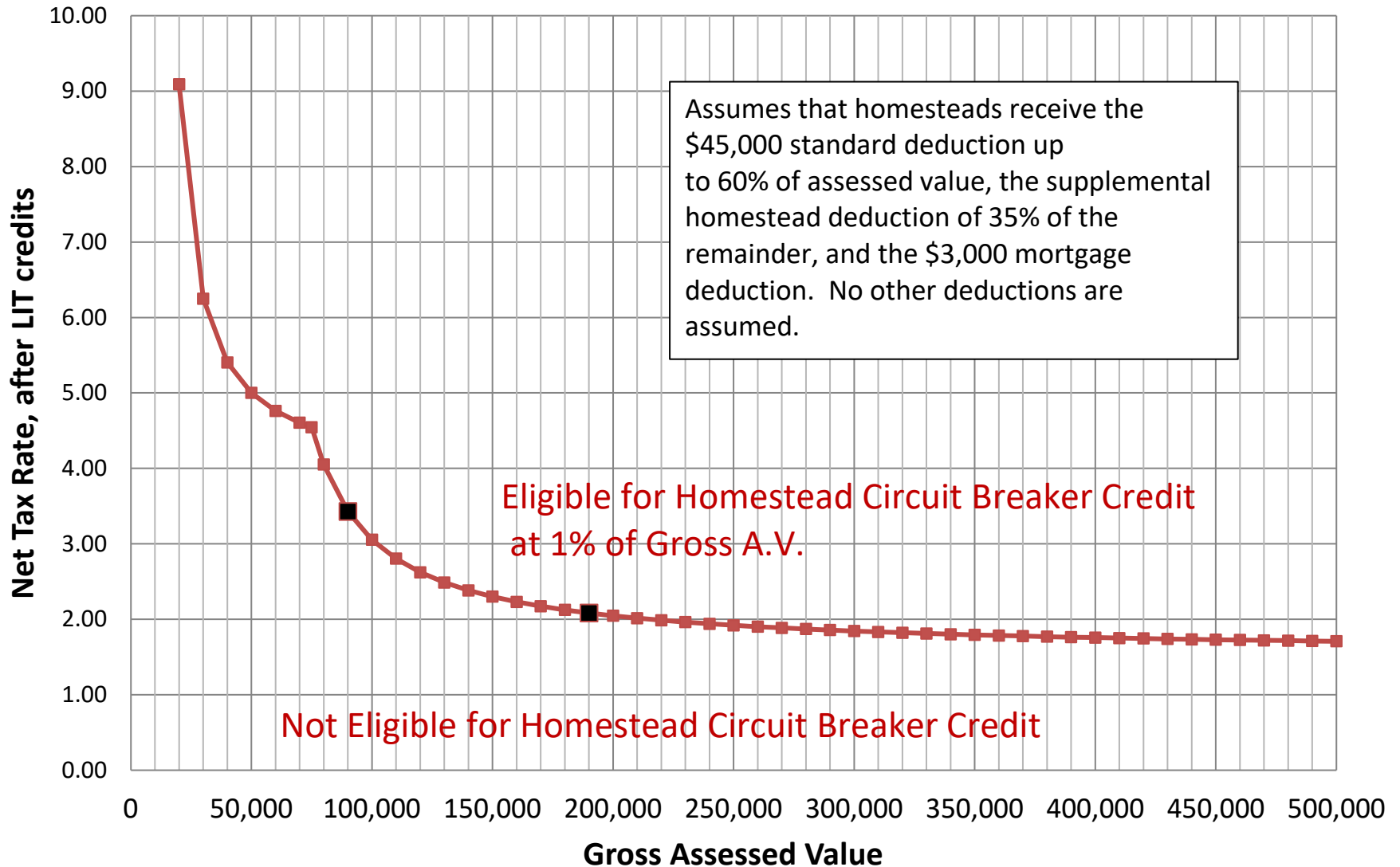
# Tax Cap Credits as Percent of Levy, 2021



# Tax Cap Credits as Percent of Levy by Property Type, 2018-2022



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



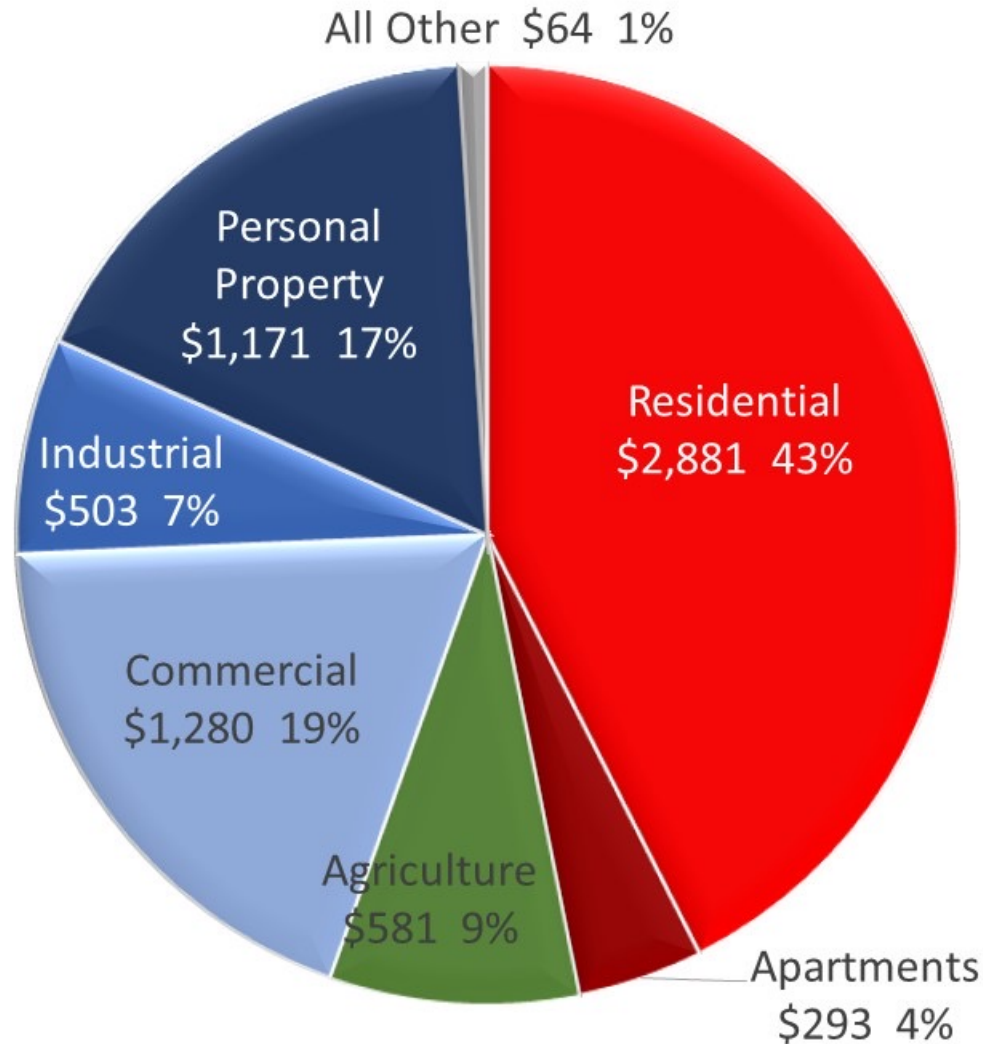
# Property Tax Revenue and Circuit Breaker Credits

	2018	2019	2020	2021	2022
<b>Credits, Percent of Levy</b>	<b>10.7%</b>	<b>10.8%</b>	<b>11.5%</b>	<b>11.5%</b>	<b>12.3%</b>
Levy (Mil. \$)	7,557	7,943	8,264	8,706	9,168
<i>Credits (Mil. \$)</i>	<i>809</i>	<i>859</i>	<i>949</i>	<i>999</i>	<i>1,126</i>
Levy Less Credits (Mil. \$)	6,748	7,083	7,315	7,707	8,042
Levy % Change		5.1%	4.0%	5.4%	5.3%
<i>Credits % Change</i>		<i>6.2%</i>	<i>10.5%</i>	<i>5.3%</i>	<i>12.7%</i>
Levy Less Credits % Chg.		5.0%	3.3%	5.4%	4.4%

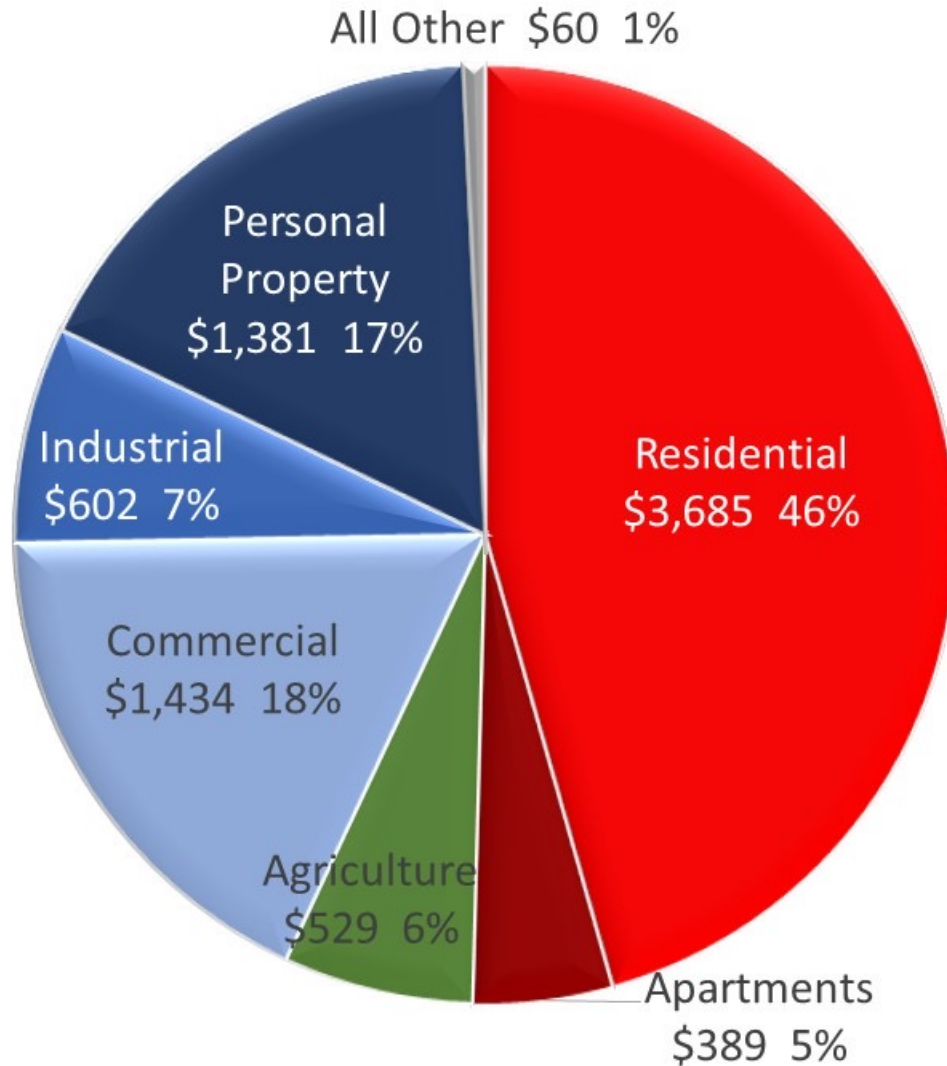
# Property Tax Liabilities



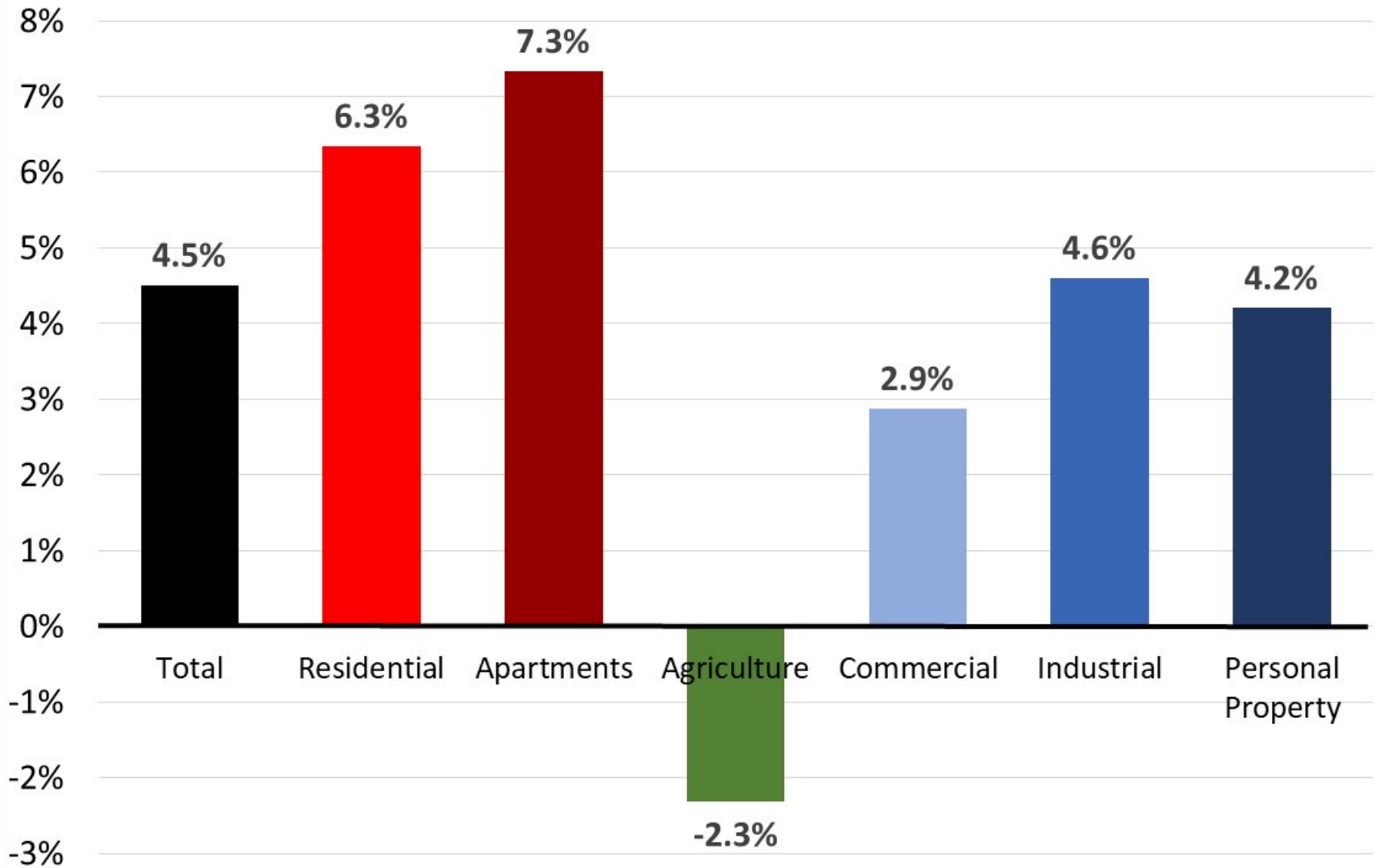
# Property Tax Liabilities (Tax Bills) by Property Class, Pay 2017 (Dollar amounts in millions)



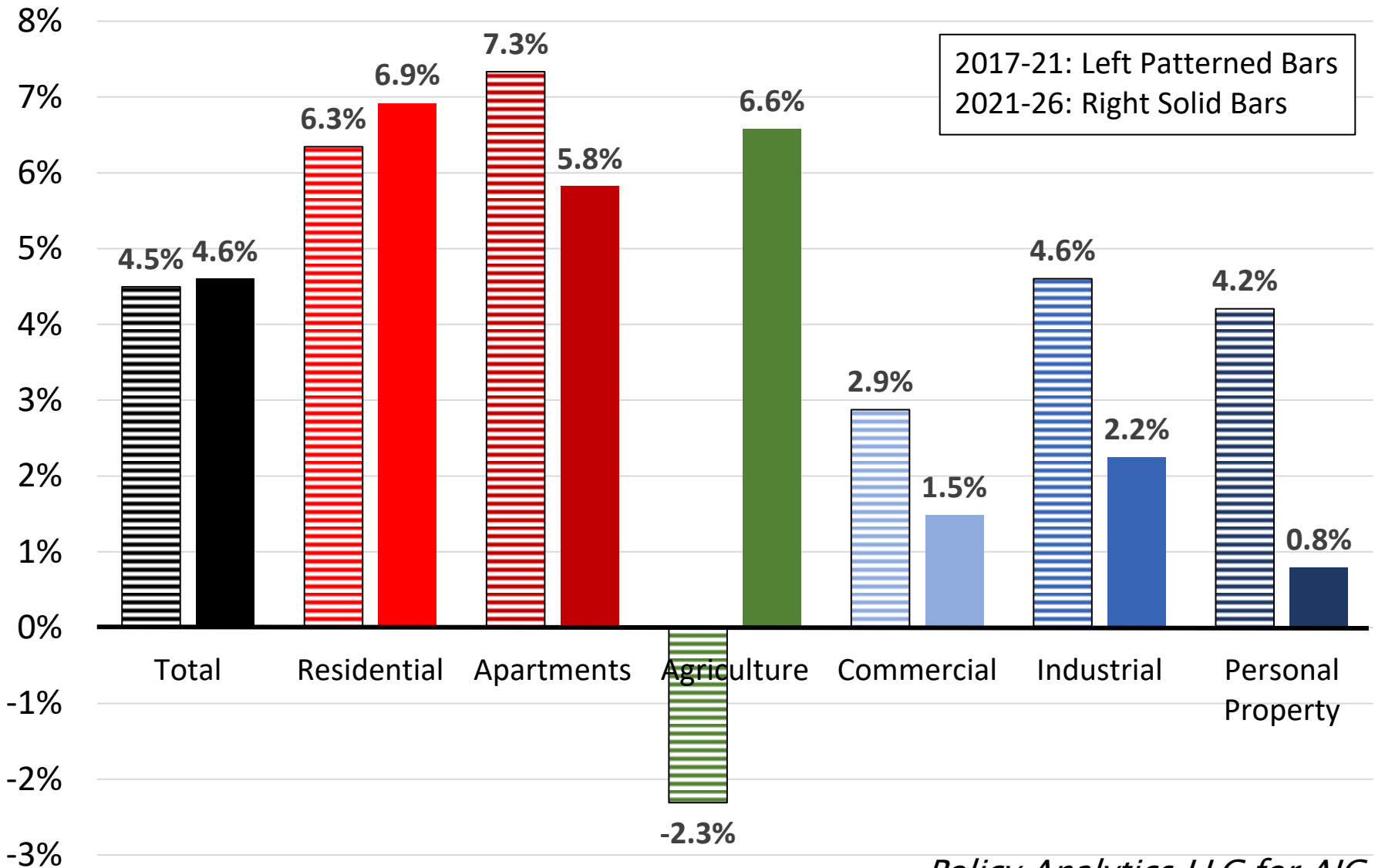
# Property Tax Liabilities (Tax Bills) by Property Class, Pay 2021 (Dollar amounts in millions)



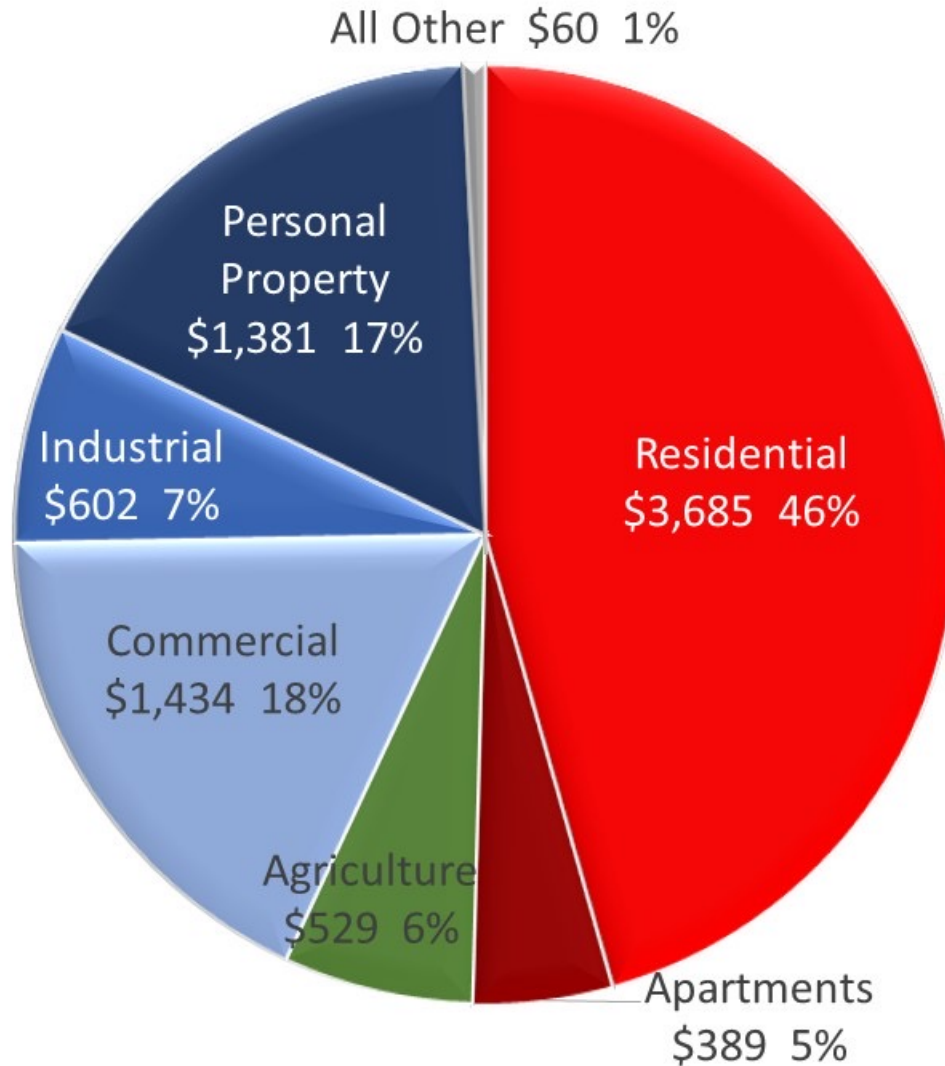
## Property Tax Liabilities (Tax Bills) by Property Class, Average Annual Percent Change, Pay 2017-21



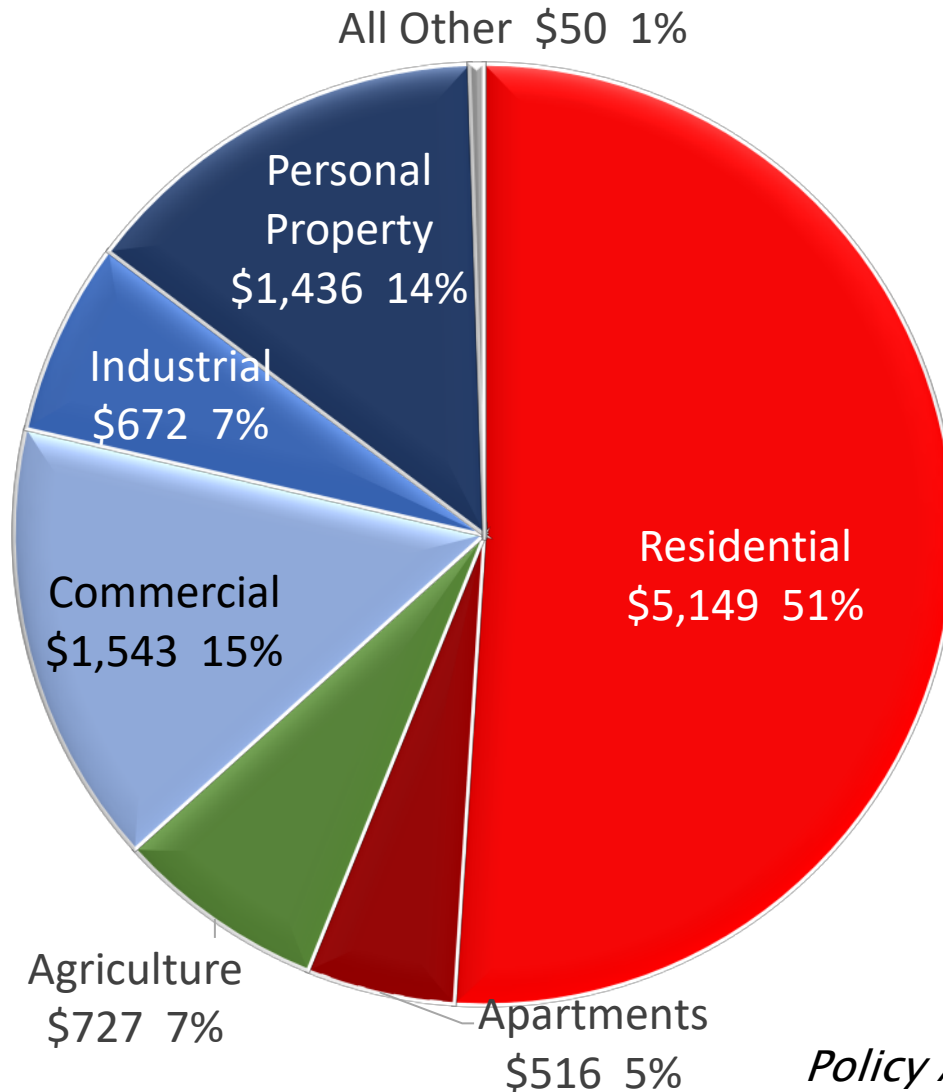
# Property Tax Liabilities (Tax Bills) by Property Class, Avg Ann % Change, Pay 2017-21 and *Projected* 2021-26



# Property Tax Liabilities (Tax Bills) by Property Class, Pay 2021 (Dollar amounts in millions)



# Property Tax Liabilities (Tax Bills) by Property Class, *Projected to Pay 2026* (Dollar amounts in millions)



# Policy Options

The image features a white background with the text "Policy Options" centered on the right side. The bottom portion of the image is decorated with a gold gradient that has a fine, diagonal hatched texture. A solid black horizontal band runs across the width of the page, positioned just above the gold gradient.

# Town of St. John decision, 1998

In The  
INDIANA SUPREME COURT

APPEAL FROM INDIANA TAX COURT  
The Honorable Thomas G. Fisher, Judge  
Cause No. 49T10-9309-TA-70

December 4, 1998

from the Indiana Tax Court's judgment regarding the validity of the Indiana p

“ . . . the cost schedules lack sufficient relation to objectively verifiable data to ensure uniformity and equality based on property wealth. . . .

**Assessments must be based on *objective measures of property wealth.***



# Constitutional Amendment, 2004

## PUBLIC QUESTION #1 (2004)

Shall Article 10, Section 1 of the Constitution of the State of Indiana be amended to allow the General Assembly to make certain property exempt from property taxes, including (1) a homeowner's primary residence; (2) personal property used to produce income; and (3) inventory?

The General Assembly may exempt from property taxation any property in any of the following classes:

(4) Tangible real property, including curtilage, used as a principal place of residence

**“Exempt” means that the General Assembly may use *deductions and credits* to reduce homeowner property taxes (2010).**

# Impact of a New Homestead Deduction

$$\frac{\text{Levy, under Max Levy}}{\text{Net Assessed Value}} = \text{Tax Rate}$$



*New Homestead  
Deduction*



*Tax Rate Rises*

Homestead  
Net AV  
x Tax Rate  
Tax Bill



Other  
Residential  
Net AV  
x Tax Rate  
Tax Bill



Farmland  
Net AV  
x Tax Rate  
Tax Bill



Business  
Land/Bldgs/PP  
Net AV  
x Tax Rate  
Tax Bill



# Policy Options for Homeowner Tax Relief

- ▶ Deductions
  - Tax liability shifts to non-homestead taxpayers
  - Local government revenues remain nearly the same, depending on distribution of tax cap credits

# Impact of a New Homestead Credit

<b>Gross Assessed Value</b>	<b>150,000</b>	<b>150,000</b>
Homestead Standard Deduction	45,000	45,000
Remainder	105,000	105,000
35% Supplemental Deduction	36,750	36,750
Mortgage Deduction	3,000	3,000
<b>Taxable Assessed Value</b>	<b>65,250</b>	<b>65,250</b>
<b>District Tax Rate</b>	<b>2.0000</b>	<b>2.0000</b>
<b>Gross Tax Bill</b>	<b>1,305</b>	<b>1,305</b>
Homestead Tax Credit Rate	0%	10%
Homestead Credit	0	131
<b>Tax Bill after Credit</b>	<b>1,305</b>	<b>1,175</b>
Tax Cap (1% of GAV)	1,500	1,500
Tax Cap Credit	0	0
<b>Net Tax Bill</b>	<b>1,305</b>	<b>1,175</b>

**Revenue  
Loss for  
Local  
Gov'ts**

# Policy Options for Homeowner Tax Relief

## ▶ Deductions

- Tax liability shifts to non-homestead taxpayers
- Local government revenues remain nearly the same, depending on distribution of tax cap credits

## ▶ Credits

- No impact on non-homestead taxpayers
- Unfunded: local governments lose revenue
- Locally funded: local government must raise another tax
- State funded: state revenue used to offset local revenue losses

# Constitutional Amendment, 2010

## **PUBLIC QUESTION #1 (2010)**

Shall property taxes be limited for all classes of property to (1) The following percentages of gross assessed value: 1% for homesteads; 2% for non-homestead residential; 2% for agricultural land; 3% for other real and personal property.

Property taxes may not exceed

- 1% of gross assessed value for homesteads
- 2% for non-homestead residential and farmland
- 3% for business real and personal.
- Taxes passed by referendum are exempt from these limits.

**Circuit Breaker tax cap credits**

# Impact of a New Homestead Credit

<b>Gross Assessed Value</b>	<b>150,000</b>	<b>150,000</b>
Homestead Standard Deduction	45,000	45,000
Remainder	105,000	105,000
35% Supplemental Deduction	36,750	36,750
Mortgage Deduction	3,000	3,000
<b>Taxable Assessed Value</b>	<b>65,250</b>	<b>65,250</b>
<b><i>District Tax Rate</i></b>	<b><i>3.0000</i></b>	<b><i>3.0000</i></b>
<b>Gross Tax Bill</b>	<b>1,958</b>	<b>1,958</b>
Homestead Tax Credit Rate	0%	10%
Homestead Credit	0	196
<b>Tax Bill after Credit</b>	<b>1,958</b>	<b>1,762</b>
Tax Cap (1% of GAV)	1,500	1,500
Tax Cap Credit	458	262
<b>Net Tax Bill</b>	<b>1,500</b>	<b>1,500</b>

**No Tax Relief**

# Impact of a New Homestead Credit

<b>Gross Assessed Value</b>	<b>400,000</b>	<b>400,000</b>
Homestead Standard Deduction	45,000	45,000
Remainder	355,000	355,000
35% Supplemental Deduction	124,250	124,250
Mortgage Deduction	3,000	3,000
<b>Taxable Assessed Value</b>	<b>227,750</b>	<b>227,750</b>
<b>District Tax Rate</b>	<b>2.0000</b>	<b>2.0000</b>
<b>Gross Tax Bill</b>	<b>4,555</b>	<b>4,555</b>
Homestead Tax Credit Rate	0%	10%
Homestead Credit	0	456
<b>Tax Bill after Credit</b>	<b>4,555</b>	<b>4,100</b>
Tax Cap (1% of GAV)	4,000	4,000
Tax Cap Credit	555	100
<b>Net Tax Bill</b>	<b>4,000</b>	<b>4,000</b>

**No Tax Relief**



# Circuit Breaker Tax Caps

- ▶ **Homeowners below their caps.** Any new deduction or credit will reduce tax bills.
- ▶ **Homeowners above their caps.** If new deductions and credits do not move tax bills below the cap, tax bill is unchanged. No tax relief.
- ▶ Tax relief goes to taxpayers where tax rates are lower, mostly **rural areas** outside of cities or towns.
- ▶ Tax relief goes to taxpayers with **lower-valued homes**, which are more likely to be below their caps.
- ▶ **Urban** homeowners and **upper-income** homeowners are less likely to see tax relief.

# Policy Options for Homeowner Tax Relief

## ▶ Deductions

- Tax liability shifts to non-homestead taxpayers
- Local government revenues remain nearly the same, depending on distribution of tax cap credits

## ▶ Credits

- No impact on non-homestead taxpayers
- Unfunded: local governments lose revenue
- Locally funded: local government must raise another tax
- State funded: state revenue used to offset local revenue losses

## ▶ Circuit Breaker Tax Caps

- Taxpayers with lower-valued homes, in rural areas, mostly likely to see tax relief
- Post circuit breaker credits? Circuit breaker innovations?

# Conclusions

# The Property Tax in 2022 and Beyond

- ▶ **Assessed value** is growing faster than it has in years. AV likely will grow faster in pay-2023, due to homestead, farmland and utility AV growth.
- ▶ The **MLGQ** is higher than it's been in years, but not as high as net AV growth. The MLGQ is 5% for 2023 budgets, still lower than AV growth. The MLGQ is likely to remain above 4% for several years.
- ▶ Average **tax rates** are stable or falling.
- ▶ **Circuit breaker credits** are rising as a share of the levy, because AV growth has been driven by homestead increases. Higher valued homesteads receive more CB credits. This will continue in pay-2023.
- ▶ **Tax liabilities** have been shifting towards homeowners. This will continue, and farmland liabilities will rise too.
- ▶ Will the **General Assembly** respond?

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