

**Rethinking the Administrative Structure of
Indiana's Property Tax System**

Frank Kelly and Jeff Wuensch

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Working Paper**

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Abstract

Since the 1998 landmark decision by the Indiana State Supreme Court overturning the state's assessment manuals, several significant steps have been taken by the state to meet the constitutional requirement of a "uniform and equal" assessment system. Most notable were the adoption of market-derived assessment manuals and adoption of stringent equalization requirements. Unfortunately, policy makers have ignored the fact that new assessment manuals and equalization standards, either individually or collectively, will not produce uniform and equitable assessments both within and between property classes and local assessing districts. It will also require the proper application of the state's new valuation and equalization requirements by the state's 1,100 locally elected assessors and two state oversight agencies. Moreover, this working paper explores whether the current administrative structures, both at the local and state levels, are conducive to attaining the state's ultimate goal of providing for a more uniform assessment system. The authors make several recommendations to improving the administrative structure of the local property tax in Indiana, including reducing the number of local assessing districts, enhancing the state's assessor training program, adopting pre- and post-election requirements for local assessors, and creating independent state oversight agencies.

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Rethinking the Administrative Structure of Indiana's Property Tax System

Introduction

Indiana has long suffered from a lack of uniformity in the assessment of real property. This ongoing problem led to a landmark decision in 1998 by the Indiana Supreme Court that ruled that the state's real property assessment manuals lacked "meaningful reference to property wealth" and did not contain "objectively verifiable data." Because of such inequities, the Court ruled that the assessment manuals violated the state constitutional requirement for a "uniform and equal rate of property assessment and taxation."¹

Since this court ruling, both the executive and legislative branches have taken significant steps toward a more equitable and uniform assessment system. Of particular significance was the adoption of market-derived real property assessment manuals by the State Board of Tax Commissioners in May 2001. Unlike previous manuals, the cost tables in the 2002 Real Property Assessment Manual were developed with "objectively verifiable data" by drawing information primarily from Marshall & Swift Valuation Services.² Equally significant to these cost tables is the use of market-derived depreciation, which was also absent in previous assessment manuals.

Particularly noteworthy is the adoption of stringent equalization requirements by the Indiana General Assembly. Unlike most states, Indiana has never conducted assessment ratio studies as a means of measuring the quality and consistency of assessments. Beginning in 2002, county assessors and the state will be required to conduct such studies to ensure uniform and equal property assessments.

Despite the adoption of market-derived assessment manuals and stringent equalization standards, several challenges and obstacles remain in the state's pursuit of a more equitable and uniform assessment system. One in particular, the current administrative structure, warrants special attention as it has remained in place for more than a century. Though cursory attempts have been made over time to restructure the administration of the local property tax, the political nature of the system itself has not allowed substantive discussion or legislation to alter the system, which has remained intact for more than a century.

Unfortunately, policy makers have ignored the fact that new assessment manuals and equalization standards, either individually or collectively, will not produce equitable and uniform assessments across property classes. Rather, it will require the proper application of such manuals by the state's 1,100 local assessors (92 county and 1,008 township assessors), along with their staffs, consultants, and appraisal firms. Equally imperative is the state's responsibility of measuring the quality of assessments both within and between counties through its assessment ratio studies.

¹ State Board of Tax Commissioners v. Town of St. John, 702N.E. 2d 1034 (Ind. 1998).

² Indiana Real Property Assessment Guideline, page 1.

Such a large number of assessors, with varying degrees of skill and expertise, combined with limited exposure to the new assessment standards and procedures present quite a challenge in the pursuit of an equal and uniform assessment system. This paper explores several facets of the current administrative structure of the state's assessment system. *Section One* provides a brief history of the administrative structure that has been in place for more than one hundred years. *Section Two* identifies the principal players at the local and state levels and their respective roles in administering property assessments, including the costs to administer the property tax. *Section Three* reviews recently adopted legislation that has refined the state's assessment system, including new training requirements and the dissolution of the State Board of Tax Commissioners. *Section Four* concludes this paper with several recommendations for policy makers that will help mitigate those outstanding challenges in the administrative structure. Such recommendations include a reduction in the number of local assessing districts, increased training for local assessors, pre- and/or post-election requirements, enhancement of the state's continuing education requirements for assessors, and the creation of politically independent state oversight agencies.

Overview of Indiana's Administrative Structure

Evolution of Assessment Administration in Indiana

The current administrative structure of the state's assessment system dates back to the Northwest Territory, the region which included Indiana, Ohio, Illinois, Michigan, Wisconsin, and the eastern portion of Minnesota. The land area of the Northwest Territory was surveyed and organized into counties and townships. Each township generally measured thirty-six (36) square miles. As subdivisions of counties, townships represented the smallest level of government. In Indiana, counties have as few as four (4) townships and as many as twenty-one (21) townships. Currently, Indiana has 92 counties and 1,008 townships.

Given the difficulty of travel in the early nineteenth century, many basic governmental functions were allocated to counties and townships, including the collection of local property taxes. As early as 1811, five years before being granted statehood, property taxes in Indiana were being collected and distributed to the territorial government, counties and townships. Of course, the primary source of wealth period was land. Recognizing that land values varied throughout the state, Indiana established a three-tier valuation system based on the quality of the soil. Though improvements were also assessed and taxed, land accounted for the vast majority of the state's total assessed value and property tax collections.³

The combination of increasing transportation needs, inequitable assessments and collections, and inadequate state revenue led to the adoption of the Tax Reform Bill of 1835. In short, this legislation provided for the uniform collection of all taxes, especially

³ Bennett & Stulich, page 8.

property taxes. This landmark legislation subsequently led to the inclusion of the “uniform and equal” provision found in the state constitution:

*“The [Indiana] General Assembly shall provide, by law, for a uniform and equal rate of property assessment and taxation and shall prescribe regulations to secure a just valuation for taxation of all property, both real and personal.”*⁴

Though each county was ultimately responsible for assessing property and collecting the local property tax, county assessors (or appraisers) were not created until 1858. Prior to that time, either the county auditor or clerk handled these duties. In fact, from 1858-1863 county assessors in Indiana were appointed by the county commissioners.⁵ Since 1863, however, county assessors have been locally elected.

Tremendous growth in both the number of improved parcels and assessed values following the Civil War led to significant legislative initiatives in 1872 to bolster the administrative structure of the state’s property system. First, township assessors were given the responsibility of establishing original assessments for all real estate. Second, recognizing the need for increased equity between counties and townships, the State Board of Equalization was created, which consisted of the Governor, Lieutenant Governor, Secretary, Auditor, and Treasurer of State. By the end of the nineteenth century, the increasing reliance on the local property tax necessitated a full-time state oversight agency. In 1891, the State Board of Equalization was reorganized and replaced by the State Board of Tax Commissioners, the first property tax commission of its kind in the nation.⁶

Current Administrative Structure

Though slightly modified over the years, the administration of the local property tax in Indiana has remained unchanged for more than a century. The principal players in each county consist of: township assessors, a county assessor, county property tax assessment board of appeals, county treasurer, county auditor, and private appraisal firms.

At the state level, the long-standing Board of Tax Commissioners was divided into two agencies in 2002. The Division of Local Government Finance assumed all of the non-appeal functions of the former State Tax Board, while the Board of Tax Review assumed the role of hearing property tax appeals at the state-level.

Township Assessors

The primary assessing jurisdiction in Indiana is the township. Each of the state’s 1,008 townships elects either a part-time assessor (“trustee-assessor”) or full-time assessor (“township assessor”) to four-year terms. Townships with a population less than 5,000

⁴ The Constitution of the State of Indiana (1851), Article X, Section 1.

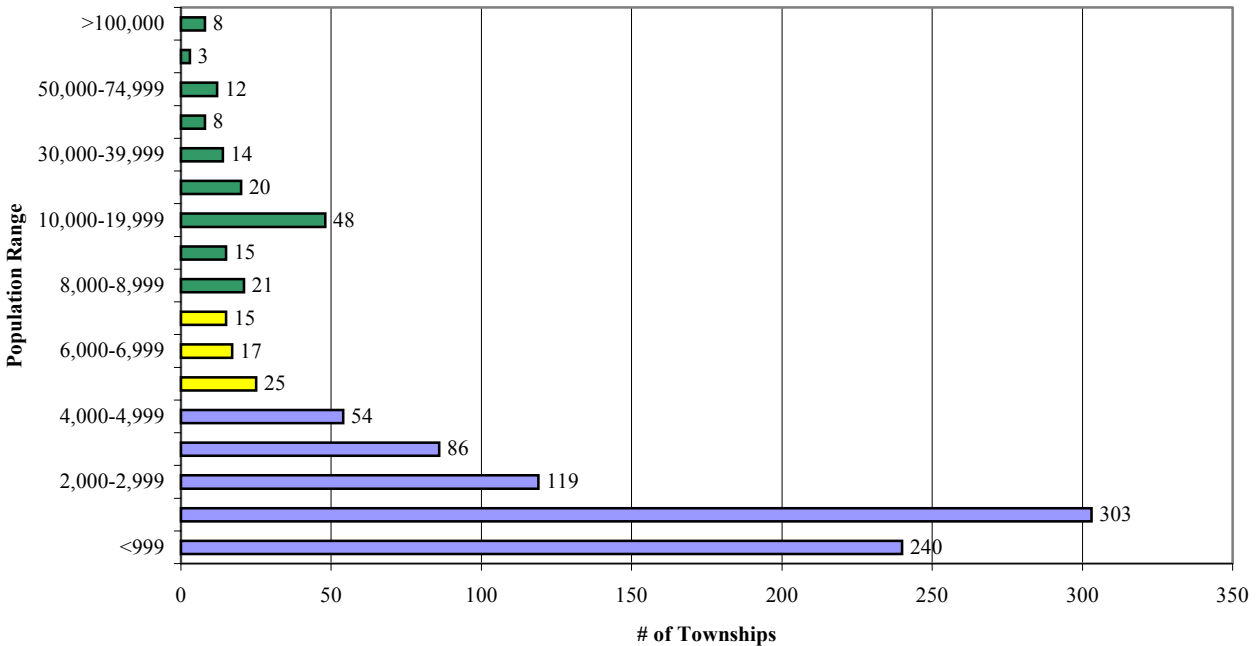
⁵ Bennett & Stullich, page 12.

⁶ State Board of Tax Commissioners, 1992.

elect part-time assessors. Townships with a population greater than 8,000 elect full-time assessors. The legislative bodies of townships with a population between 5,000 and 8,000 have the option of electing either a full-time or part-time assessor.

Figure 1 illustrates the population distribution of the 1,008 townships. Townships with a population less than 5,000 totaled 802, or eighty (80) percent of all townships statewide; fifty-seven (57) townships have a population between 5,000 and 8,000; and one hundred forty-nine (149) townships have a population greater than 8,000. **Appendix A** provides a county-by-county breakdown of full- and part-time township assessors.

**Figure 1: Distribution of Township Populations
State of Indiana, 2000**



Source: U.S. Census Bureau

Other than a residency provision in the state constitution, there are no requirements or qualifications required to serve as a township assessor. According to the state constitution:

“All county, township, and town officers, shall reside within their respective counties, townships, and towns; and shall keep their respective-

offices at such places therein, and perform such duties, as may be directed by law.”⁷

County Assessors

Each of the state’s ninety-two (92) counties also elects a county assessor to a four-year term. As full and part-time assessors are responsible for the initial property assessments, the role of the county assessor varies tremendously across the state. In fact, current statutory law provides for five specific duties of the county assessor:

1. provide for countywide equalization;
2. select and maintain a countywide computer system;
3. certify gross assessments to the county auditor;
4. discover and value omitted real and personal property; and
5. serve as secretary of the county property tax assessment board of appeals.⁸

In addition to these specific duties, a county assessor may perform the duties of a township assessor if he/she fails to perform such duties or contracts with the county assessor to perform any of the township assessing functions. As a general rule, the county assessor has a greater role in townships with more part-time assessors, as the county assessor assumes more assessment functions for both real and personal property.

As with township assessors, there are no requirements or qualifications to be a county assessor other than the residency requirements of the state constitution.

County Property Tax Assessment Board of Appeals

The purpose of the county property tax assessment board of appeals (PTABOA) is to review assessments within its respective county. This review comes in at least six forms. First, as land and improvements are separately valued in Indiana, the PTABOA is responsible for reviewing and approving all land values established within the county.⁹ Second, as many counties throughout the state include cross-county taxing districts (i.e., schools, libraries, waste districts, etc.), each county PTABOA is also responsible for ensuring that land values in such districts are consistent with those values in adjacent counties.¹⁰ Third, the county PTABOA is responsible for hearing local appeals when a taxpayer and the township assessor disagree on a specific property’s value. Fourth, like the county assessor, the PTABOA has the authority to discover and value omitted real and personal property. Fifth, if the county PTABOA disagrees with those values established by the township assessor, it has the authority to increase (or decrease) assessments without a motion from individual taxpayers appealing their assessments.

⁷ Constitution of the State of Indiana, Article VI, Section 6.

⁸ I.C. 36-2-15-5 & 6-1.1-28

⁹ This does not include agricultural land as its base value and various value adjustments based on productivity and physical characteristics are determined by the state.

¹⁰ Indiana Real Assessment Guideline, Version A, Chapter 2, page 11.

Finally, the PTABOA is responsible for granting or denying exempt status for those properties requesting such status.¹¹

Five individuals serve on each county PTABOA. The county assessor is always a member of the PTABOA and is secretary of it. The county fiscal body (council) appoints two individuals to the PTABOA, and the county executive (commissioners) appoints two individuals who own real estate in the county to the PTABOA.

The following rules are additional requirements for membership to the county PTABOA:

- each member must be at least eighteen (18) years of age;
- each member must be knowledgeable in the valuation of property;
- only three members of the PTABOA may be of the same political party;
- three of the PTABOA members must be residents of the county;
- one individual appointed by the county fiscal body and the county executive must be a certified Level 2 Indiana assessor-appraiser; and
- only one member of the PTABOA, other than the county assessor, may be an officer or employee of the county or township in the county.¹²

County Treasurer and Auditor

Though often overlooked in any discussion of the administrative structure, county treasurers and auditors play an important role in the state's property tax system. Each county elects an auditor whose primary responsibility in the assessment system is to prepare, preserve and alter the property tax roll for the county. Additionally, the county auditor is responsible for maintaining and dispersing funds from the county reassessment fund which is used to pay general reassessment expenses.

Each county also elects a county treasurer. The treasurer's principal responsibility is to send tax bills to individual taxpayers in the county. Property tax payments are subsequently paid to the county treasurer, who is ultimately responsible for the collection of the tax. In the event that property tax payments are not made or are delinquent, the county treasurer has the authority to initiate the process of selling the respective real and/or personal property in order to collect delinquent tax payments.

Private Appraisal Firms

Finally, as they play a significant role in determining property valuations in Indiana, the role of private appraisal firms should be mentioned. As an alternative to "in-house" real estate appraisals, counties and townships throughout the state often contract with professional appraisal firms. This outsourcing of assessment duties, which usually accompanies the general reassessment of real property, ranges from data collection and data processing to mapping and valuation of improvements and land. The obvious benefits of such firms are that they allow counties and townships to quickly access

¹¹ Indiana Code 6-1.1-1-9.

¹² Indiana Code 6-1.1-28-1.

professionals and resources, maintain a modest staff, and budget for reassessment on an as-needed basis.¹³

During the 1995 reassessment, at least sixty-four (64) of the ninety-two (92) counties, or seventy percent (70%), contracted with private appraisal firms. Of this amount, thirty-nine (39) counties contracted with firms to assess real estate improvements for all property classes (residential, agricultural, commercial and industrial) and the remaining twenty-five (25) counties relied on such firms primarily for commercial and/or industrial improvements.¹⁴

State Administration

Between 1891 and 2001, the State Board of Tax Commissioners (“STB”) had the sole responsibility of overseeing the state’s property tax and assessment systems. After 110 years of administering these systems, the STB was legislatively dissolved in 2001 with the adoption of House Enrolled Act 1499. In place of the STB, this legislation, which took effect January 1, 2002, divided the STB into two separate state agencies, the Department of Local Government Finance and the Indiana Board of Tax Review.

Indiana Department of Local Government Finance (DLGF).

The DLGF assumes all of the non-appeal functions of the former State Tax Board. A single commissioner, who is appointed by the Governor, heads the DLGF. The DLGF is divided into four divisions:

- *Assessment Division:* The primary responsibility of this division is the promulgation of assessment rules and regulations for both real and personal property. In addition, it is responsible for assessing state distributable public utility property, reviewing economic revitalization area deduction applications, and other technical advice to local assessors.
- *Budget Division:* Unlike most states, Indiana has a complex set of property tax controls that are overseen by the state. These controls play a critical role in not only establishing local budgets, more importantly, the property tax rates that provide their primary funding source. The budget division is responsible for administering such controls to ensure conformity across more than 2,200 local governmental units across the state.
- *Operations Division:* This division provides technology to support assessing functions statewide. This includes the development of software standards for local assessors and certification of such systems developed by private vendors and local officials.

¹³ Indiana Fiscal Policy Institute, 1991.

¹⁴ State Board of Tax Commissioners, *1995 Reassessment Activity by Township*.

- *Data Analysis Division:* The primary responsibility of the data analysis division is to fulfill the research needs of the agency. Beginning in 2002, this division will conduct the assessment ratio studies that are be used to measure the quality and consistency of assessments across within and between the state's 92 counties.

Indiana Board of Tax Review

Beginning in 2002, the newly created Board of Tax Review assumed the appeal functions of the former State Board of Tax Commissioners. It is comprised of three commissioners appointed by the Governor, with at least one commissioner from a different political party. There are no specific qualifications for individuals to serve on the Board of Tax Review. The sole responsibility of the Board is to hear property tax appeals that were not resolved by either the township assessor or county property tax assessment board of appeals.

Indiana Tax and Supreme Courts

Though not directly involved in the administration of the state's property tax and administration systems, the state's two property tax appellate courts, the State Tax Court and the State Supreme Court, are involved in the valuation of real and personal property. Created in 1986, the State Tax Court has exclusive jurisdiction over any cases that arise under the tax laws of the state, including any final determinations issued by the Department of Revenue and the Indiana Board of Tax Review.¹⁵ The Tax Court consists of a single judge, who was originally appointed by the Governor. The judge may be approved or rejected for additional terms by Indiana voters during the state's general elections.

The State Supreme Court is the ultimate interpreter of disputed property tax cases. Any decision by the Tax Court may be appealed directly to the Supreme Court. Unlike the Tax Court, however, the Supreme Court has discretionary control over cases that it will hear. As such, it hears relatively few property tax cases. This five-member court is subject to the same approval or rejection format in the state's general election as the Tax Court judge.

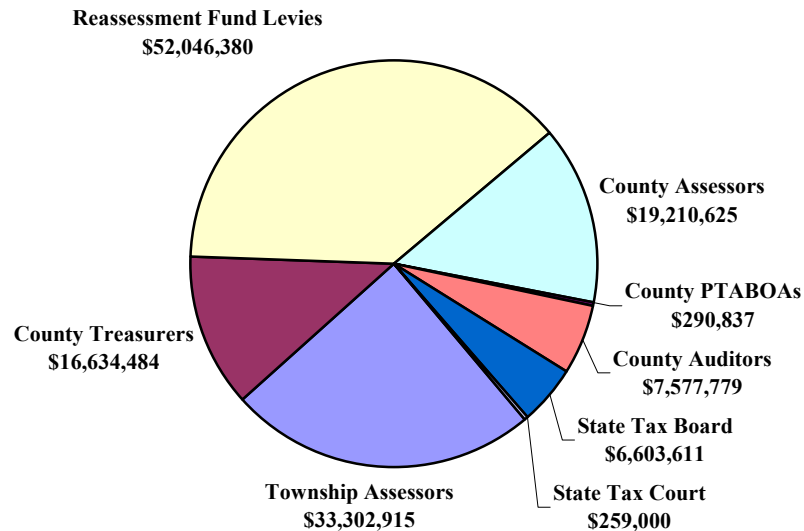
Property Tax Administration Costs

Though often viewed as one of the most expensive taxes to administer, the property tax actually is one of the most inexpensive taxes to administer in Indiana.¹⁶ Budgeted property tax administration costs in 2001 totaled more than \$135 million (**See Figure 2**). It should be noted, however, that this amount includes more than \$25 million in additional appropriations to local assessors for anticipated costs incurred with the 2002 general reassessment.

¹⁵ Indiana Code 33-3-5.

¹⁶ State Board of Tax Commissioners, May 1998.

**Figure 2: Budgeted Property Tax Administration Costs
State of Indiana, 2001**



Total Budgeted Costs: \$135,925,631

Assumes 10% of Total County Auditor Budget & 50% of State Tax Court Budget.

Source: State Tax Board, 2001 Certified Budgets; State of Indiana List of Appropriations; Nexus Group Calculations.

Given statewide property tax collections of nearly \$5 billion in 2001, total administrative costs from local township assessors to the State Tax Court accounted for 2.5 percent of total property collections. In non-reassessment years, these costs decrease to approximately 2 percent of total collections.¹⁷ The cost of administering the 2002 general reassessment accounted for nearly forty percent of the total administrative cost, with township-level costs totaling more than \$33 million or nearly 25 percent of budgeted costs.

Recent State Legislation

Indiana experienced a period of nearly thirty years where the local property tax received little attention. In 1973, there was significant tax restructuring, involving a dramatic reduction of the property tax and commensurate increases in sales and incomes taxes. However, the property tax controls established in 1973 gradually eroded and by the late 1990s, rising property taxes and a looming litigation challenging the state's assessment manuals forced the Indiana General Assembly to reconsider various aspects of the tax.

¹⁷ State Board of Tax Commissioners, 1998.

House Enrolled Act 1783 (1997)

The legislative debate over the local property reached new heights as the ongoing *Town of St. John* litigation before the state Tax and Supreme courts was nearing its end. In anticipation of this landmark decision, the 1997 Indiana General Assembly adopted a far-reaching bill (HEA 1783) that affected nearly every aspect of the local property tax. The most significant provisions of HEA 1783 include:

- Removed the authority of establishing land values from the county Land Valuation Commission and directed that requirement to each township assessor.
- Required county property tax boards of appeals to resolve discrepancies in land values in adjacent counties.
- Required the STB to correct any unresolved disparities in land values between the counties.
- Required the STB to equalize assessed values in townships and counties. Previously, this had been a “may” provision, allowing the STB to ignore assessment level problems if it so chose.
- Required the county assessor to equalize values within and between the townships in the county.
- Required the township assessor (or township trustee assessor) to hold a hearing with petitioners on appeals. Prior to this, some officials would simply fail to hold a hearing and force the County Board of Appeals to hold any such hearings.
- Established specific time requirements for counties and the STB to hear appeals and issue decisions.
- Established certification requirements for the county assessor, township assessor and township trustee assessor. The legislation, however, required the elected official to be a certified Level II assessor or employ such a person, and includes a statement that the elected official is “expected” to attain a designation as a Level I assessor.
- Required that Level I and Level II assessor-appraisers meet specified continuing education and testing criteria.
- Required that county assessors perform the functions of any township assessor or township trustee assessor who did not perform their required functions.

In summary, the most important requirements established continuing education requirements and adopted stringent equalization requirements for both the county assessor and the State Board of Tax Commissioners (currently Division of Local Government Finance).

House Enrolled Act 1499 (2001)

The 1998 decision by the State Supreme Court overturning the state's assessment manuals, combined with the looming 2002 general reassessment, led to further legislative initiatives in 2001 directed at the local property tax. Such initiatives came in the form of House Enrolled Act 1499 and included the following components:

- Abolished State Board of Tax Commissioners (STB), a fixture in state administration of the local property tax for more than a century.
- Created two state agencies in place of the Tax Board. The Department of Local Government Finance (DLGF) assumed most of the previous functions of the STB, including the review of local budgets, various assessment related duties, training, and research. The newly created Indiana Board of Tax Review has the sole mission of hearing appeals and rendering decisions. The intent of separating the appeals function from other duties should provide for a more independent review of appeals. However, the Governor's office still appoints three individuals as Commissioners of the Board of Tax Review to issue final determinations, the exact same process as was done with the STB.
- Re-established the County Land Valuation Commissions for the 2006 general reassessment. HEA 1783 (1997) had eliminated such commissions, requiring each township assessor to establish land values.
- Required the county fiscal body to pay the county assessor and any township assessor an additional \$1,000 for attaining a Level II assessor-appraiser designation; required it to also pay a deputy county assessor or any employee in a township assessor's office an additional \$500 for attaining a Level II designation.
- Created a new county sales disclosure fund from the county's share of the form (\$4 for each non-exempt form), which can be used purchasing computer hardware and software, assessor training, and other administrative functions. Previously these funds were deposited into the county general fund.
- Created a new state assessor training fund from the state's share (\$1 for each non-exempt form) of the local sales disclosure form.
- Provided for the annual update of real property assessments beginning in 2006.
- Provided the DLGF the authority to assess industrial facilities with an estimated assessed value of \$25 million or more. Previously, township assessors were responsible for assessing such facilities.
- Required local governmental units to pay for any special reassessment ordered by the DLGF. Previously, if the STB ordered such a reassessment, either the STB had to perform the work, or pay to have it performed.

- Removed language requiring any tested hours for continuing education credits that were adopted in HEA 1783.

Again, the Indiana General Assembly addressed a few problematic areas in the state’s property tax and assessment systems, particularly the increase in pay to local assessors for attaining the highest assessor designation in the state and providing for much-needed training funds for state and local assessing officials.

Indiana Assessment Administration: A Blueprint for Reform

Despite several significant steps in recent years to provide for a more uniform and equitable assessment system, several underlying challenges remain that will likely hinder such a system. While policy makers have simply avoided many of these challenges, several have been ignored as the vast majority of the assessment system, from township assessors to the state oversight agencies, is entrenched in politics. To provide for a more equitable and uniform assessment system, policy makers must consider the following challenges:

Restructuring Local Administration

Current Status: As previously mentioned, there are 1,100 locally elected assessors in Indiana, including 1,008 township assessors and 92 county assessors. In addition to township and county assessors, it is estimated that as many as 2,275 additional individuals at the local level are directly involved in the administration of the property tax, including:

- 368 county Property Tax Assessment Board of Appeal (PTABOA) members; this includes four members in each county, exclusive of the county assessor who serves as secretary of the PTABOA;
- 395 full-time employees in county assessor offices, exclusive of the elected county assessor (**See Table 1**); and
- 1,512 employees in the offices of the township assessors.¹⁸

¹⁸ This estimate assumes at least one and a half additional employees in each township assessor’s office. Of course, many townships only employ the assessor, while others employ more than two. For example, one township assessor’s office in Indiana employs 40 people.

Table 1: Full-Time Employees, Indiana County Assessors Offices

County	Employees	County	Employees	County	Employees
Adams	2	Hendricks	11	Pike	2
Allen	8	Henry	3	Porter	7
Bartholomew	4	Howard	4	Posey	2
Benton	3	Huntington	3	Pulaski	5
Blackford	3	Jackson	2	Putnam	1
Boone	3	Jasper	3	Randolph	3
Brown	5	Jay	4	Ripley	2
Carroll	2	Jefferson	3	Rush	2
Cass	3	Jennings	3	Scott	1
Clark	5	Johnson	5	Shelby	3
Clay	2	Knox	4	Spencer	2
Clinton	2	Kosciusko	6	St. Joseph	11
Crawford	1	LaGrange	3	Starke	2
Daviess	4	Lake	31	Stuben	3
Dearborn	5	LaPorte	6	Sullivan	4
Decatur	3	Lawrence	3	Switzerland	1
DeKalb	5	Madison	6	Tippecanoe	14
Delaware	6	Marion	11	Tipton	3
Dubois	2	Marshall	6	Union	1
Elkhart	8	Martin	1	Vanderburg	9
Fayette	4	Miami	3	Vermillion	2
Floyd	5	Monroe	6	Vigo	10
Fountain	3	Montgomery	3	Wabash	2
Franklin	2	Morgan	5	Warren	2
Fulton	2	Newton	1	Warrick	4
Gibson	7	Noble	3	Washington	2
Grant	8	Ohio	2	Wayne	3
Greene	4	Orange	2	Wells	4
Hamilton	12	Owen	4	White	4
Hancock	5	Parke	2	Whitley	2
Harrison	3	Perry	2	Total	395

Source: Indiana County Assessor Association.

In addition to those directly employed by the county assessor, township assessor, and the county Property Tax Assessment Board of Appeals, there are a countless number of

private appraisal firm employees who are directly involved in the valuation of real property. In fact, based on preliminary data from the state, it appears that nearly every county in Indiana will rely on a private appraisal firm for one or more services (land valuation, data collection, etc.) in the 2002 general reassessment.

Compared to other states, Indiana has a large number of local assessing districts (See **Table 2**). According to the International Association of Assessing Officers (IAAO), Indiana ranks fifth nationally in terms of the number of local assessing jurisdictions, trailing only North Dakota, Wisconsin, Michigan, and New York. In terms of neighboring states, Illinois (1,022) is close in size to Indiana, while Ohio (89) and Kentucky (121) have far fewer local districts than Indiana.

Table 2: Total Number of Local Assessing Districts, by State

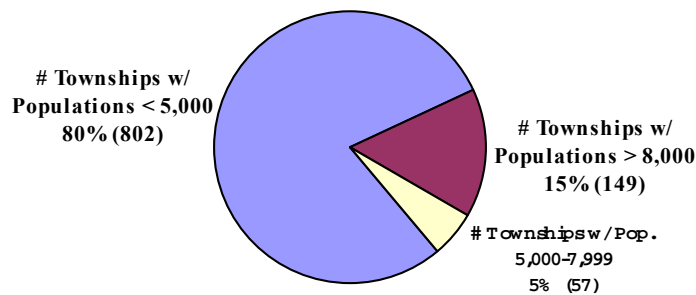
Alabama	67	Louisiana	70	Ohio	88
Alaska	25	Maine	492	Oklahoma	77
Arizona	15	Maryland	-	Oregon	36
Arkansas	75	Massachusetts	351	Pennsylvania	67
California	59	Michigan	1,526	Rhode Island	39
Colorado	63	Minnesota	96	South Carolina	46
Connecticut	169	Mississippi	383	South Dakota	65
Delaware	4	Missouri	115	Tennessee	96
Florida	67	Montana	-	Texas	253
Georgia	159	Nebraska	93	Utah	29
Hawaii	4	Nevada	17	Vermont	251
Idaho	44	New Hampshire	259	Virginia	226
Illinois	1,022	New Jersey	567	Washington	39
Indiana	1,100	New Mexico	134	West Virginia	55
Iowa	107	New York	1,198	Wisconsin	1,896
Kansas	105	North Carolina	100	Wyoming	23
Kentucky	120	North Dakota	1,794	Total	13,686

Note: The property tax systems in Maryland and Montana are administered at the state-level.

Source: IAAO, 2000.

Recommendation #1: Reducing the Number of Local Assessing Districts. Given the relatively large number of local assessing districts, policy makers should seriously consider reducing the number of local assessing districts in one of two ways. First, the state could consider moving to a population-based assessment jurisdiction model, with the county assuming the assessing functions of those townships that do not meet the minimum requirements. As **Figure 3** illustrates, the vast majority of townships in Indiana (80 percent) have a population less than 5,000, thus electing part-time assessors.

**Figure 3: Distribution of Township Populations
State of Indiana, 2000**



Source: U.S. Census Bureau.

Table 3 illustrates the impact of adopting minimum populations standards of 4,000, 6,000, 8,000, and 10,000 for local assessing districts. With a minimum population requirement as small as 4,000, the number of local assessing districts would decrease from 1,008 to 257, a reduction of nearly seventy-five (75) percent. Increasing the minimum population requirement to as high as 10,000 reduces the total number to slightly more than 100. Under each scenario, only Indiana’s most populated county (Marion County), home of the state capital (Indianapolis), would retain each of its nine township assessors.

**Table 3: Population-Based Assessment Jurisdiction Models
Minimum Populations (10K, 8K, 6K, & 4K)**

County	Current Number of Township Assessors	New Number of Township Assessors			
		Pop. > 10,000	Pop. > 8,000	Pop. > 6,000	Pop. > 4,000
Adams	12	1	1	1	4
Allen	20	7	7	7	7
Bartholomew	12	1	1	2	3
Benton	11	0	0	0	0
Blackford	4	0	1	1	1
Boone	12	2	2	2	2
Brown	4	0	0	0	3
Carroll	14	0	0	0	1
Cass	14	1	1	1	1
Clark	12	3	3	3	4
Clay	11	0	1	1	1
Clinton	14	1	1	1	1
Crawford	9	0	0	0	0
Daviess	10	1	1	1	2
Dearborn	14	1	2	2	3
Decatur	9	1	1	1	1
DeKalb	15	1	1	2	3
Delaware	12	2	2	3	5
Dubois	12	1	1	2	2
Elkhart	16	3	4	8	11
Fayette	9	1	1	2	2
Floyd	5	1	2	4	4
Fountain	11	0	0	0	1
Franklin	13	0	0	0	1
Fulton	8	0	1	1	1
Gibson	10	1	1	1	2
Grant	13	2	3	4	6
Greene	15	0	1	1	2
Hamilton	9	5	6	6	7
Hancock	9	2	4	4	4
Harrison	12	1	1	1	2
Hendricks	12	3	5	5	7
Henry	13	1	1	1	3
Howard	11	1	3	3	5
Huntington	12	1	1	1	1
Jackson	12	1	1	1	3
Jasper	13	0	1	2	2
Jay	12	0	1	1	2
Jefferson	10	1	1	1	2
Jennings	11	0	1	2	2
Johnson	9	3	3	3	5
Knox	10	1	1	1	2
Kosciusko	17	1	2	4	5
LaGrange	11	0	0	0	3
Lake	11	7	8	9	10
LaPorte	21	3	3	3	8
Lawrence	9	1	2	2	3
Madison	14	4	5	5	7

County	Current Number of Township Assessors	New Number of Township Assessors			
		Pop. > 10,000	Pop. > 8,000	Pop. > 6,000	Pop. > 4,000
Marion	9	9	9	9	9
Marshall	10	1	2	2	3
Martin	6	0	0	0	1
Miami	14	1	1	2	2
Monroe	11	4	4	4	5
Montgomery	11	1	1	1	1
Morgan	14	2	2	3	5
Newton	10	0	0	0	1
Noble	13	1	1	3	3
Ohio	4	0	0	0	1
Orange	10	0	0	0	2
Owen	13	0	0	1	1
Parke	13	0	0	0	1
Perry	7	1	1	1	1
Pike	9	0	0	0	1
Porter	12	3	5	6	8
Posey	10	1	1	1	2
Pulaski	12	0	0	0	1
Putnam	13	1	1	1	1
Randolph	11	0	0	1	1
Ripley	11	0	0	0	2
Rush	12	0	1	1	1
St. Joseph	13	5	6	7	7
Scott	5	0	1	2	2
Shelby	14	1	1	1	2
Spencer	9	0	0	0	1
Starke	9	0	0	1	2
Steuben	12	1	1	1	1
Sullivan	9	0	0	1	1
Switzerland	6	0	0	0	0
Tippecanoe	13	3	3	3	5
Tipton	6	0	1	1	1
Union	6	0	0	0	0
Vanderburgh	8	4	4	5	6
Vermillion	5	0	1	1	1
Vigo	12	2	5	5	5
Wabash	7	1	2	2	2
Warren	12	0	0	0	0
Warrick	10	2	2	2	2
Washington	13	0	1	1	1
Wayne	15	1	1	2	3
Wells	9	0	0	0	2
White	12	1	1	1	1
Whitley	9	0	1	1	2
Total	1,008	113	149	179	257

Any of these minimum population requirements presents a much more manageable structure from several perspectives. For instance, it allows the county and state to concentrate training efforts on a much smaller group, undoubtedly with positive impacts

on assessment quality. Currently, the vast majority of part-time assessors craft assessments without the benefit of training, required skills, and in many instances the necessary computer hardware and software to perform their duties. In fact, as discussed below, only seventeen (17) percent of part-time township assessors have received an assessor-appraiser designation from the state.

Due to increased responsibilities, the county assessor would expend any cost savings experienced by eliminating township officials. The clear advantage of this proposal over the current system is that in lightly populated areas, someone would no longer make assessments with few assessing skills. This would allow rural counties sufficient funds to attract higher-skilled assessing officials.

A significant number of studies over the years have analyzed the advantages and disadvantages of reducing the number of local assessing districts. The primary focus of such studies has been whether fewer local assessing districts produced more equity and uniformity in assessment practices. A review of twenty-six such studies in 1990 did not find overwhelming evidence that reducing the number of local districts, by itself, has any beneficial effect on producing better assessments. However, most studies have found that local assessing districts with full-time assessors did produce more uniform assessments than those with part-time assessors.¹⁹

A second option for policy makers to consider in reducing the number of local assessing districts is to provide for the consolidation of assessing functions at the township-level. Whereas the first option simply eliminates townships that do not meet the minimum population requirement, the second option consolidates townships. For example, two or more townships could simply merge into a single assessing district, electing a single, full-time assessor. Smaller townships could also merge into townships with existing full-time assessors. Of course, such an approach could also be based on a minimum populations standard.

Expanding Assessor Training

Current Status: There are two certifications available to assessors in Indiana. The Level I assessor-appraiser certification can best be described as a basic designation, representing a minimal level of understanding of Indiana assessment methodologies and techniques. In preparing for the Level I examination, which is administered by the Division of Local Government Finance (DLGF), emphasis is largely placed on the application of the state's real estate manual to residential property. Prior to taking the Level I examination, applicants are required to complete six (6) hours of pre-examination course work designated by the DLGF.

Certified Level II assessor-appraisers typically have a more thorough understanding of the state's real estate manual, particularly as it applies to commercial and industrial

¹⁹ Bowman & Mikesell, 1990.

properties. In addition to completing six (6) hours of pre-examination course work, those seeking their Level II certification must be a certified Level I assessor.

In order to remain certified, Level I and Level II assessor-appraisers must complete a minimum number of continuing education hours over a four-year period. Level I assessor-appraisers are required to complete 30 hours of continuing education, while Level II assessor-appraisers are required to complete 45 hours. The continuing education cycle always starts on January 1st, in the year following the year the certification was acquired. Those who received their designation prior to the year this rule took effect (January 1, 1999) have until December 31, 2002 to complete their continuing education hours.

As **Table 4** illustrates, less than one-third of the 1,100 locally elected assessors are a certified Level I or II assessor-appraiser. This is somewhat misleading as eighty-three (83) of the ninety-two (92) county assessors (90%) are certified Level I or Level II assessor-appraisers. The statewide percentage of certified assessors is driven down by township assessors, especially part-time township assessors, with only 269 of the 1,008 township assessors (27%) certified.

**Table 4: Certified Level I and II Assessor Appraisers
County and Township Assessors**

Assessor Type	Level I	Level II	Total	# of Eligible	
				Assessors	% Certified
County Assessor	17	66	83	92	90.2%
Full-Time Township	33	95	128	167	76.6%
Part-Time Township	85	56	141	841	16.8%
Total	135	217	352	1,100	32.0%

Source: State Board of Tax Commissioners.

Recommendation #2: Increasing Continuing Education Requirements: Currently, assessors in Indiana are required to take thirty (30) hours of continuing education for a Level I designation and forty-five (45) hours for a Level II designation every four years. This requirement represents a significant step forward from the previous situation where no continuing education was required at all, but still falls short of providing assessors the necessary training skills and opportunities. At a minimum, policy makers should increase these requirements to thirty hours for a Level I and forty-five hours for a Level II designation **every year**. In other words, Level I assessors would be required to attend less than four days of training, while Level II assessors slightly more than five days on an annual basis.

Additionally, a portion of these hours should be tested. When first instituted in 1997, a small portion of the continuing education was required to be tested (four hours for Level I and eight hours for Level II). With the passage of HEA 1499 in 2001, however, this

requirement was eliminated. At a minimum, at least half of these hours should be tested so that assessors can demonstrate their understanding of such coursework.

Finally, policy makers should develop course curriculums for Level I and Level II assessors. This recognizes the fact that the training needs of local assessors vary greatly across the state. For example, many rural areas need little or no training in valuing complex industrial structures. Conversely, assessors in urban areas may not need to know how to assess agricultural land or their improvements. Currently, once a designation has been attained, one may simply retake the same three to five daylong courses every two years to retain the designation. Specifically targeted core courses or curriculums would enable assessors to attain specialized training in the areas they need most.

Local Assessor Qualifications

Current Status: As previously discussed, other than a residency provision in the state constitution, there are no requirements or qualifications to serve as a locally elected assessor. As provided in Indiana Code:

Each county assessor and each elected assessor [full-time township assessor] must be a certified “level 2” assessor-appraiser...or employ at least one (1) certified “level 2” assessor-appraiser. Each elected county assessor, township assessor, or elected trustee-assessor [part-time township assessor] is expected to attain the certification of a “level one” assessor-appraiser.²⁰

In other words, current law “encourages” assessors to become certified Level I assessors and simply requires that an employee in the office of a county or full-time township assessor be a Level II assessor.

Recommendation #3: Instituting Pre- and Post-Election Requirements: Since the adoption of pre- and post-election requirements for local assessors is a relatively dramatic, albeit common in many states, policy makers should consider this in two phases. Initially, all local assessors in Indiana should be required to attain both a Level I and Level II assessor designations within one year of their election into office. Failure to do so could result in their removal from office and the appointment of a successor from the county executive. The second phase of this requirement would be the pre-election component. Prior to running for office, all prospective assessors would be required to attain a Level I designation. The same post-election requirement of a Level II designation would remain.

Independent State Oversight

Current Status: The inequities in the current property tax system are primarily due to the highly politicized nature of the state administrative structure. The former State Board of

²⁰ Indiana Code 6-1.1-35-1.1.

Tax Commissioners, whose sole mission was to provide for a uniform and equitable property tax system, failed miserably to do so. Clearly, the current assessment manuals that were adopted by the former State Tax Board produced inequitable assessments. Such inequities were exacerbated by its failure to monitor the application of the manual across the state. These failures, however, cannot be solely attributed to those who served on the Tax Board. Rather, politics interfered with its ability to independently adopt valuation methods and monitor assessment practices.

Recommendation #4: Creation of Politically Independent State Oversight. Recent changes to the state administrative structure should not be viewed as a step forward in terms of independence and stability. Rather, the political entrenchment of state oversight has increased, as there are now four gubernatorial appointments, three to the Board of Tax Review and one to the Division of Local Government Finance (DLGF).

Policy makers should give serious consideration to a state administrative structure that is insulated from the political consequences that have resulted in the instabilities that have plagued state oversight in recent years. Rather than gubernatorial appointees, a bipartisan legislative body, much like it has done with the Legislative Services Agency, should appoint these commissioners. Such an approach would likely provide more stability to the state oversight function, which has increasingly become a revolving door of leadership. Between 1973 and 1981, a single chairman led the State Tax Board. The Tax Board had two chairmen between 1981 and 1989. This increased to three chairmen between 1989 and 1997. Since 1997, however, there have been four chairmen, including a pending appointment to the newly created DLGF. Clearly, the increasing politicization of state oversight has resulted in this high turnover rate.

Finally, as there are no current requirements to serve as a commissioner with either the Board of Tax Review or DLGF, policy makers should enact legislation requiring some qualifications. At a minimum, these commissioners should be required to attain a Level I and Level II assessor designation either prior to or within a year of their appointment. Further requirements could include that one or more of these commissioners should have a more substantive designation from either the Appraisal Institute, International Association of Assessing Officers (IAAO), or similar body.

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Appendix A: Full-Time & Part-Time Township Assessors, by County, State of Indiana, 1999

County	Full-Time	Part-Time	Total	County	Full-Time	Part-Time	Total	County	Full-Time	Part-Time	Total
Adams	3	9	12	Hendricks	4	8	12	Pike	0	9	9
Allen	7	13	20	Henry	1	13	14	Porter	6	6	12
Bartholomew	1	11	12	Howard	3	8	11	Posey	1	9	10
Benton	0	11	11	Huntington	1	11	12	Pulaski	0	12	12
Blackford	1	3	4	Jackson	1	11	12	Putnam	1	12	13
Boone	2	10	12	Jasper	2	11	13	Randolph	2	9	11
Brown	0	4	4	Jay	2	10	12	Ripley	0	11	11
Carroll	0	14	14	Jefferson	1	9	10	Rush	1	11	12
Cass	1	13	14	Jennings	1	10	11	St Joseph	6	7	13
Clark	3	9	12	Johnson	4	5	9	Scott	2	3	5
Clay	1	10	11	Knox	2	8	10	Shelby	1	13	14
Clinton	1	13	14	Kosciusko	4	13	17	Spencer	0	9	9
Crawford	0	9	9	Lagrange	0	11	11	Starke	1	8	9
Daviess	1	9	10	Lake	8	3	11	Steuben	1	11	12
Dearborn	2	12	14	Laporte	3	18	21	Sullivan	1	8	9
Decatur	1	7	8	Lawrence	2	7	9	Switzerland	0	6	6
Dekalb	2	13	15	Madison	6	8	14	Tippecanoe	3	10	13
Delaware	4	8	12	Marion	9	0	9	Tipton	1	5	6
Dubois	2	10	12	Marshall	2	8	10	Union	0	6	6
Elkhart	5	11	16	Marshall	2	8	10	Vanderburgh	5	3	8
Fayette	2	7	9	Martin	1	5	6	Vermillion	1	4	5
Floyd	1	4	5	Miami	2	12	14	Vigo	5	7	12
Fountain	0	11	11	Monroe	4	7	11	Wabash	2	5	7
Franklin	0	13	13	Montgomery	1	10	11	Warren	0	12	12
Fulton	1	7	8	Morgan	2	12	14	Warren	0	12	12
Gibson	1	9	10	Newton	0	10	10	Warrick	2	8	10
Grant	6	7	13	Noble	1	12	13	Washington	1	12	13
Greene	1	14	15	Ohio	0	4	4	Wayne	3	12	15
Hamilton	6	3	9	Orange	0	10	10	Wells	1	8	9
Hancock	3	6	9	Owen	0	13	13	White	1	11	12
Harrison	1	11	12	Parke	0	13	13	Whitley	1	8	9
				Perry	1	6	7	Total	176	832	1,008

Source: State Tax Board 1999 Assessor Directory.