

Many Homestead Properties Experience an Increase in Property Tax Bills Despite Indiana's Property Tax Caps

Many people are unaware that the State Homestead Credit was eliminated as part of the recent overhaul of Indiana's property tax system. While the credit has continued to appear on taxpayers' property tax bills in recent years, it is currently in the processes of being phased-out, and will no longer appear on homeowners' tax bills beginning in early 2011.

Although the full impact of this change has not yet been felt by homeowners, the gradual scaling-back of this credit has had a significant effect on tax bills in the state. The shaded counties in the map below experienced an increase in their homestead property tax bills in 2009, despite the presence of the recently enacted tax caps. This, in large part, was due to the recent reductions in the homestead credit.

In 2009, twenty-nine counties saw their homestead tax bills increase by more than 5% and eleven counties experienced an increase of more than 20%. The county that experienced the largest increase in its average homestead tax bill from 2008-2009 was Fayette County, with an increase of 102.4%. *See Figure 1.*

But while many counties did experience property tax increases in 2009, many others instead saw tax decreases. This is due to a number of factors, including the elimination of the school general fund levy and the welfare levy, and the adoption of local income taxes in some counties. The shaded counties experienced decreases in their tax bills ranging from 0% to -70%. The county whose residents saw the biggest decrease in their property tax bills was Miami County at -70.6%. *See Figure 2.*

Ultimately, whether a homeowner experienced an increase or a decrease in their property tax bill had little to do with the property tax caps, and much more to do with the elimination of various levies, the adoption of local income taxes, and the phasing-out of the homestead credit. This last factor has been of particular importance. From 2008 to 2009, the percentage change in the total size of state homestead credits was -66.8%. This means that in 2009, homeowners, on average, lost 66% or more of the homestead credit they had received in 2008. In many counties, the average reduction in the size of the homestead credit has been even more dramatic. Orange County experienced the largest percentage change at -89.7%. *See Chart 1.*

The loss of the State Homestead Credit is a little understood, but important policy change. The credit's full elimination in 2011 will undoubtedly catch many homeowners by surprise, and will increase their total property tax bills. In many counties, the scaling-back of the credit has already resulted in tax increases.

Unfortunately, for most typical Indiana homeowners, the tax caps being voted on this November are a poor substitute for the State Homestead Credit. While all homeowners benefit from the Homestead Credit, only a select few homeowners with very highly valued homes, or with homes in particularly high-tax jurisdictions, actually receive any benefit from the caps.

Figure 1
Counties the Experienced Increased Homestead Tax Bills Increase

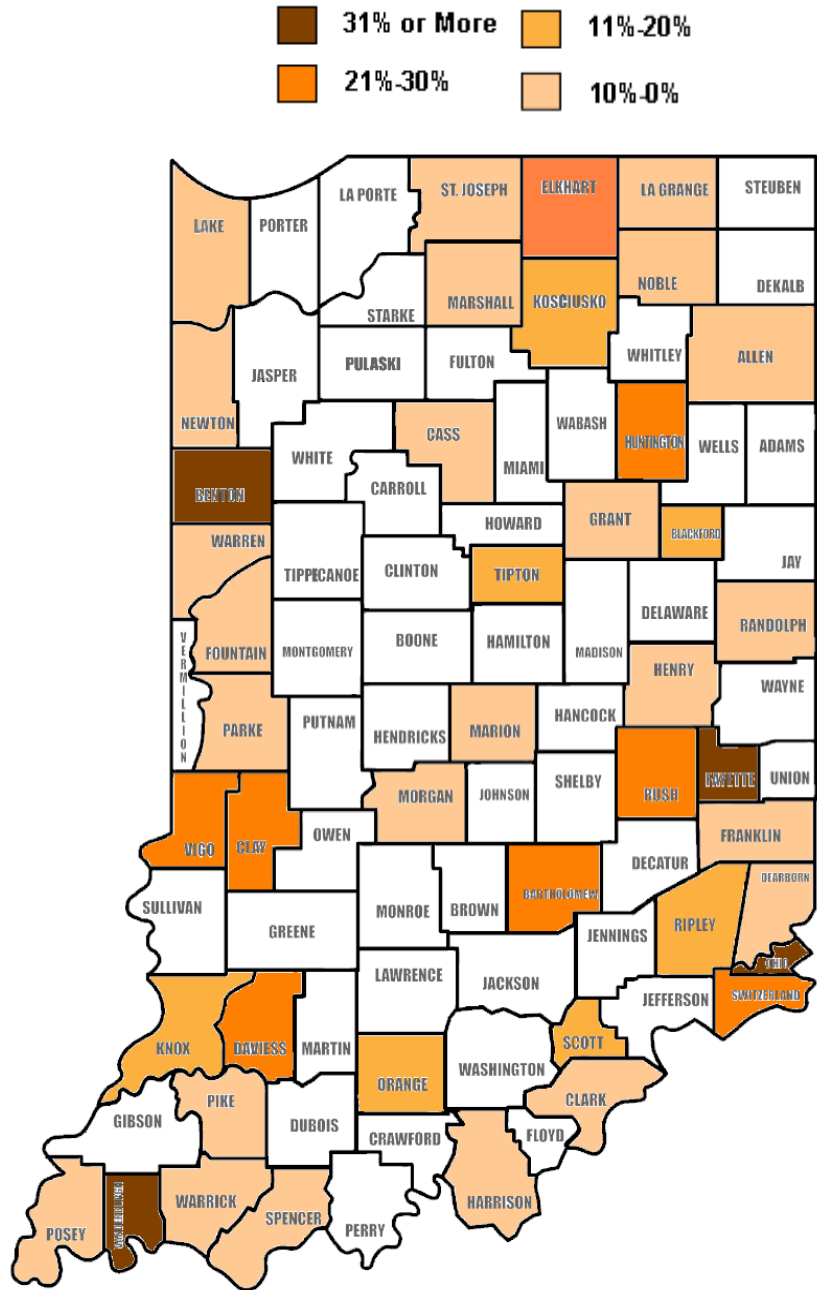


Chart 1
Total State Homestead Credits, 2008-2009 Change

	2008	2009	Percentage Point Change	Percent Change*
85 County Average	39.5%	13.1%	-26.4%	-66.8%
Adams	39.5%	7.5%	-32.0%	-81.0%
Allen	41.0%	7.0%	-34.0%	-82.9%
Bartholomew	48.0%	6.9%	-41.1%	-85.6%
Benton	61.4%	9.4%	-52.0%	-84.7%
Blackford	44.8%	8.9%	-35.9%	-80.1%
Boone	17.0%	6.1%	-10.9%	-64.1%
Brown	<i>Not reported yet</i>			
Carroll	48.2%	9.7%	-38.5%	-79.9%
Cass	45.0%	7.9%	-37.1%	-82.4%
Clark	47.1%	7.3%	-39.8%	-84.5%
Clay	58.9%	8.5%	-50.4%	-85.6%
Clinton	<i>Not reported yet</i>			
Crawford	48.5%	7.9%	-40.6%	-83.7%
Daviess	45.5%	7.5%	-38.0%	-83.5%
Dearborn	34.4%	5.7%	-28.7%	-83.4%
Decatur	46.0%	9.1%	-36.9%	-80.2%
DeKalb	44.1%	7.9%	-36.2%	-82.1%
Delaware	43.9%	7.1%	-36.8%	-83.8%
Dubois	35.8%	7.2%	-28.6%	-79.9%
Elkhart	39.3%	7.1%	-32.2%	-81.9%
Fayette	47.7%	19.7%	-28.0%	-58.7%
Floyd	42.4%	7.5%	-34.9%	-82.3%
Fountain	47.1%	8.0%	-39.1%	-83.0%
Franklin	46.2%	7.2%	-39.0%	-84.4%
Fulton	44.8%	8.4%	-36.4%	-81.3%
Gibson	41.4%	7.7%	-33.7%	-81.4%
Grant	48.1%	7.7%	-40.4%	-84.0%
Greene	38.1%	9.3%	-28.8%	-75.6%
Hamilton	26.0%	6.4%	-19.6%	-75.4%
Hancock	29.4%	6.4%	-23.0%	-78.2%
Harrison	47.4%	7.3%	-40.1%	-84.6%
Hendricks	25.3%	6.2%	-19.1%	-75.5%
Henry	41.3%	7.0%	-34.3%	-83.1%
Howard	36.2%	7.9%	-28.3%	-78.2%
Huntington	55.3%	7.4%	-47.9%	-86.6%
Jackson	44.1%	7.8%	-36.3%	-82.3%

	2008	2009	Percentage Point Change	Percent Change*
Jasper	45.6%	10.5%	-35.1%	-77.0%
Jay	41.0%	19.3%	-21.7%	-53.0%
Jefferson	43.0%	7.8%	-35.2%	-81.8%
Jennings	42.3%	8.5%	-33.8%	-80.0%
Johnson	30.4%	6.9%	-23.5%	-77.3%
Knox	50.4%	7.5%	-42.9%	-85.1%
Kosciusko	39.6%	5.9%	-33.7%	-85.1%
LaGrange	44.5%	6.6%	-37.9%	-85.2%
Lake	43.1%	6.9%	-36.2%	-84.0%
LaPorte	<i>Not reported yet</i>			
Lawrence	43.6%	7.9%	-35.7%	-81.9%
Madison	<i>Not reported yet</i>			
Marion	39.7%	7.2%	-32.5%	-81.9%
Marshall	46.8%	7.2%	-39.6	-84.6
Martin	44.8%	8.6%	-36.2%	-80.8%
Miami	44.4%	9.1%	-35.3%	-79.5%
Monroe	40.0%	6.7%	-33.3%	-83.3%
Montgomery	34.1%	9.2%	-24.9%	-73.0%
Morgan	49.2%	10.2%	-39.0%	-79.3%
Newton	50.9%	8.1%	-42.8%	-84.1%
Noble	41.8%	7.1%	-34.7%	-83.0%
Ohio	63.1%	6.5%	-56.6%	-89.7%
Orange	51.8%	7.9%	-43.9%	-84.7%
Owen	34.3%	6.2%	-28.1%	-81.9%
Parke	47.7%	8.2%	-39.5%	-82.8%
Perry	41.8%	8.4%	-33.4%	-79.9%
Pike	52.5%	8.5%	-44.0%	-83.8%
Porter	<i>Not reported yet</i>			
Posey	40.4%	6.3%	-34.1%	-84.4%
Pulaski	44.4%	26.4%	-18.0%	-40.5%
Putnam	40.5%	7.7%	-32.8%	-81.0%
Randolph	54.1%	8.6%	-45.5%	-84.1%
Ripley	44.9%	6.5%	-38.4%	-85.5%
Rush	56.6%	7.9%	-48.7%	-86.0%
St. Joseph	42.6%	7.3%	-35.3%	-82.9%
Scott	40.8%	6.2%	-34.6%	-84.8%
Shelby	40.5%	7.3%	-33.2%	-82.0%
Spencer	43.0%	7.1%	-35.9%	-83.5%

	2008	2009	Percentage Point Change	Percent Change*
Starke	41.2%	8.2%	-33.0%	-80.1%
Steuben	41.1%	7.5%	-33.6%	-81.8%
Sullivan	47.8%	9.1%	-38.7%	-81.0%
Switzerland	53.3%	8.3%	-45.0%	-84.4%
Tippecanoe	37.6%	6.9%	-30.7%	-81.6%
Tipton	49.4%	7.6%	-41.8%	-84.6%
Union	36.7%	7.5%	-29.2%	-79.6%
Vanderburgh	52.7%	7.1%	-45.6%	-86.5%
Vermillion	43.8%	7.9%	-35.9%	-82.0%
Vigo	54.3%	7.5%	-46.8%	-86.2%
Wabash	46.4%	13.6%	-32.8%	-70.7%
Warren	50.9%	16.5%	-34.4%	-67.6%
Warrick	40.7%	6.7%	-34.0%	-83.5%
Washington	42.6%	6.8%	-35.8%	-84.0%
Wayne	<i>Not reported yet</i>			
Wells	43.9%	8.3%	-35.6%	-81.1%
White	<i>Not reported yet</i>			
Whitley	42.0%	7.5%	-34.5%	-82.1%

* Numbers 0.6 and above were rounded to the nearest decimal point

Source: Legislative Services Agency. "2009 Statewide Property Tax Report for 85 Counties Reporting as of November 2009, Table 1. Factors Affecting Homestead Tax Bill Changes, 2008-2009." December 2009. Retrieved from web site: www.in.gov/legislative/pdf/STATEWIDE09.PDF

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