

Revenue for Services – Tax Exempt and Low Tax Properties

**IACIR Meeting
November 13, 2015**

Challenges identified

- Concentrations of tax exempt properties
- Tax exempt properties with non-tax exempt uses
- Conversion of for-profit hospitals to non-profit status
- Health care consolidation – non-profit hospitals purchase doctor's offices, nursing homes, etc.

Challenges identified

- Non-profit nursing homes and senior housing
- Properties with no or low property tax bills
- Increased enrollment in Classified Forest and Wild Land Program

Big issues

- Inadequate revenues
- Tax fairness

Concentrations of tax exempt properties

- 2014 tax exempt property
 - Aggregate = \$17,267,609,780 (190,507 parcels)
 - Max (Marion Co) = \$3,251,931,800 (13,044 parcels)
 - Min (Union Co) = \$5,164,900 (57 parcels)
 - Avg = \$187,691,411 (2,071 parcels)
 - Properties may not be distributed evenly among local governments

Concentrations of tax exempt properties

- 2014 tax exempt property classified as being associated with a religious entity
 - Reporting not necessarily consistent

	Aggregate GAV	% of Total GAV
Church, Chapel, Mosque, Synagogue, Tabernacle or Temple	\$4,014,774,200	23.3%
Owned by a religious organization	\$3,873,128,240	22.4%
All religious		\$45.7%

Concentrations of tax exempt properties

- 2014 acres of government property
 - Aggregate = 1,035,945 (4.4% of total)
 - Max (Marion Co) = 91,418 (25.0% of total)
 - Min (Union Co) = 80 (0.1% of total)
 - Avg = 11,260 (4.2%)
 - Properties may not be distributed evenly among local governments

Properties with no or low tax bills

- 2015 HB 1476 – Pay 2014
 - Less than \$100 minimum
 - Max (Lake Co) = 17,570 parcels
 - Min (Ohio Co) = 26 parcels
 - Avg Co – 2,177 parcels
 - Less than \$200 minimum
 - Max (Lake Co) = 29,890 parcels
 - Min (Ohio Co) = 149 parcels
 - Avg Co – 3,593 parcels

3,292 parcels had
no 2014 tax liability

Increased enrollment in Classified Forest and Wild Land program

- Program details
 - Tracts of at least 10 contiguous acres of forest or non-forest wildlife habitat
 - Land must be of certain quality
 - Land cannot be used for grazing, buildings or sheds, or growing Christmas trees
 - Process
 - DNR helps to create a management plan
 - Surveyor, Signed by state forester, signed by county assessor
 - Recorded at local level

Increased enrollment in Classified Forest and Wild Land program

- Program details
 - Benefits to owner
 - Reduced property taxes
 - Access to technical assistance and resource
 - Meant to be long term. Removing land from the program results in having to pay back taxes and penalties

Increased enrollment in Classified Forest and Wild Land program

- Enrollment
 - 2008 = 619,400 acres (statewide)
 - 2014 = 746,357 acres
 - 20.5% increase
 - 9 counties have more than 20,000 acres enrolled (2014): Brown, Crawford, Greene, Harrison, Lawrence, Orange, Owen, Parke, Perry, and Washington
 - All except Washington increased by thousands of acres btw 2008 and 2014

Potential Solutions

- Adjust rules for tax exempt property or the administration of those rules
- Payments in lieu of taxes/service fees
 - Current statutes
 - 2015 HB 1355 (Saunders bill)
 - 2015 HB 1476 (Karickhoff bill)
 - Greenwood proposed fee for non-profits locating in TIF districts
 - Noblesville and Fishers land use restrictions

Current payments in lieu of taxes statutes

- IC 36-2-6-21, IC 36-1-8-14.2, IC 36-3-2-11 – PILOT for low income housing
- IC 36-3-2-10 – PILOT for airport authority, building authority, and wastewater treatment facility in Marion County
- IC 36-7-30-31 and IC 36-7-30.5-34 – PILOT for single and multi-county military reuse authority

Current payments in lieu of taxes statutes

- Common elements:
 - Created by ordinance
 - Equal to or less than forgone taxes
 - Treated like property taxes
- Differences
 - Applicable entities
 - Where the \$ goes. Sometimes a specific fund, sometimes general fund

2015 HB 1355 (Saunders)

- Allows a county fiscal body to adopt a local service fee for tax exempt properties that aren't places of worship
- Municipalities can adopt in July 2016 if county doesn't.
- If counties adopt after municipalities, the municipal fee is superseded in the next year

2015 HB 1355 (Saunders)

- Requires a public hearing to adopt, amend, or repeal
- Fee becomes effective at the beginning of the calendar year. Can't be adopted after October 31 for the following year.
- Fees can be equal by parcel or differentiated based on the cost of services provided to the parcel.

2015 HB 1355 (Saunders)

- Revenue distributed to based on relative property tax rates of county, township, and municipality
- Fees are collected with property taxes and distributed semi-annually
- Service fees are in addition to other fees. They cannot be used to justify reducing property taxes

2015 HB 1355 (Saunders)

- Info about tax exempt properties in previous slide

2015 HB 1476 (Karickhoff)

- Allows county council or county income tax council to adopt a property tax replacement fee
- Applies to properties that receive deductions and credits that result in a tax bill that is less than \$100 or \$200.
- Properties that have deductions based on age, veteran status, or disability are excluded. Includes spouses.

2015 HB 1476 (Karickhoff)

- A minimum for tax bill plus fee is \$100, maximum is \$200
- The fee is distributed to units in the taxing district according to relative property tax rate
- Fee is paid with property taxes
- Set rules about payments and delinquencies

2015 HB 1476 (Karickhoff)

- Less than \$100 minimum
 - All = \$11,941,500
 - Max (Lake Co) = \$1,061,100
 - Min (Ohio Co) = \$700
 - Avg Co – \$129,789
- Less than \$200 minimum
 - All = \$38,590,200
 - Max (Lake Co) = \$3,481,400
 - Min (Ohio Co) = \$8,500
 - Avg Co – \$419,459

Greenwood non-profit service fee proposal

- Greenwood proposed a service fee equal to property taxes for new non-profits locating in TIF districts
- Pushback
- Proposal was voted down
- Noblesville and Fishers may have done something similar. Zoning can be a lever.

IACIR Survey - PILOT

- Favor requiring PILOTs:
 - Private universities or schools (46%)
 - Non-profit hospitals (39%)
 - Arts and culture non-profits (35%)
 - Units of federal government (33%)
- SILOTs

IACIR Survey - PILOT

- Important issue when thinking about PILOT (very or fairly important):
 - Unit needs more revenue (60%)
 - Non-profits provide valuable low-cost of free services in community (59%)
 - Exemption for non-profits increases the burden for other tax payers (55%)
 - PILOT will place a financial burden on non-profits (54%)

IACIR Survey - PILOT

- Important issue when thinking about PILOT:
 - Non-profits should pay for their use of services (roads, police, fire protection) (49%)
 - Property tax exemption are a way that local governments can support non-profits (47%)
 - Constituent opinions (43%)
 - Exemption gives non-profits an unfair advantage over private businesses (43%)
 - Non-profit ability to pay (41%)

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