



July 2014

# Annual Adjustment of Assessed Values FACT SHEET

*Facts*

## Annual Adjustments Summary

Annual Adjustments or “trending” of property values became part of Indiana’s move to a market-based assessment system upon order of the Indiana Supreme Court in 1999. Trending requires assessors to research sales of properties in a particular area over the previous year. Using that information, assessors then estimate the values of other properties in the same area to determine an assessed value.

### HOW ANNUAL ADJUSTMENTS WORK FOR 2014 ASSESSMENTS PAYABLE IN 2015

- 1) The assessor examines sales from calendar year 2013 and the first two months of 2014.
- 2) The assessor compares the 2013 sales information to the assessed valuation for 2014.
- 3) The assessor adjusts the 2013 payable 2014 assessment by a factor created using the 2013 sales.

*For Example: Five homes sold in a neighborhood:*

	2013 Sale	2014 AV	Ratio:
2013 home sale #1	\$100,000	\$82,000	.82
2013 home sale #2	\$92,000	\$78,200	.85
2013 home sale #3	\$120,000	\$114,000	*.95
2013 home sale #4	\$109,000	\$104,640	.96
2013 home sale #5	\$111,000	\$112,110	1.01

This adjustment can be positive or negative or a change may not be warranted. Factor = 1.05 Median Ratio = \*.95

The factor is obtained by dividing 1.00/.95, which calculates to 1.05.

The 2013 assessed value (AV) times the adjustment factor equals the new 2014 AV.

## Taxpayer Impact

Taxpayers may see an increase or decrease in their assessments after the annual adjustment of their assessment. The resulting tax bill may change in part due to the assessment change and also due to expenditures by local government.

Because property values rise and fall over time, annual adjustments ensure an assessment reflects current market value-in-use of a property. With annually adjusted market-based assessments, taxpayers are assured their assessment reflects market conditions during the prior year.

### Frequently Asked Questions

#### Q: What is trending?

A: Trending is a way of assessing the value of real estate to account for changes in the market place. Trending requires assessors to research sales of properties in a particular area over the previous year. Using that information, assessors then estimate the values of other properties in the same area to determine an assessed value. A chart depicting the history of trending is available at [www.in.gov/dlgf/files/HistoryOfPropertyValuationChanges.pdf](http://www.in.gov/dlgf/files/HistoryOfPropertyValuationChanges.pdf).

**Q: Why are we trending property values?**

A: In 1999, the Indiana Supreme Court ruled that Indiana's property tax system was unconstitutional. As a result, the legislature required the state to move to a market-based assessment system in 2002, joining 48 other states across the country.

**Q: What is a cyclical reassessment?**

A: A cyclical reassessment is a process undertaken by local assessing officials to ensure that property records are accurate representations of parcels of land and/or their improvements. During a reassessment, local assessing officials visit each property to ensure information on the property record card, such as the square footage of the building, acreage of the land, etc., is correct. The most recent cyclical reassessment began on July 1, 2014, the first quarter of which will be completed for 2015 taxes due and payable in 2016. The mission of a reassessment is to inventory, verify, and value all real estate parcels.

**Q: How do I appeal an assessment?**

A: If you believe the value of your property differs from its assessed value, you may appeal the assessment. In order to successfully appeal your assessment, you should establish a valid case. This can be accomplished by providing information such as sales of the subject property, comparable properties, or an appraisal (although an appraisal is not required to appeal your assessment). Information about the appeals process is available at [www.in.gov/dlgf/2508.htm](http://www.in.gov/dlgf/2508.htm). A fact sheet with "Frequently Asked Questions" is located at [www.in.gov/dlgf/files/PropertyTaxAppealsProcess.pdf](http://www.in.gov/dlgf/files/PropertyTaxAppealsProcess.pdf) and a flowchart of the appeals process is available at [www.in.gov/dlgf/files/AppealsProcessFlowchart.pdf](http://www.in.gov/dlgf/files/AppealsProcessFlowchart.pdf).

Note: If the assessed value increased by more than 5% over the prior year's assessment, the burden of proof is on the assessing official. However, you still must file an appeal.

**Q: How do I know if my new assessed value is correct?**

A: The assessed value should reflect the amount a willing buyer would pay for the property at the time of assessment. When a property owner receives the notice of new assessment, the best way to determine if it is accurate is to ask if the property could have sold for approximately that amount. The accuracy of assessments refers to how close the assessments determined by local assessing officials are to market value-in-use.

**Q: I own commercial property and saw a big increase in my bill. I did not make any changes to my property. What happened?**

A: A 2014 tax bill that was higher than the 2013 tax is a result of either an increase in the assessed value of the property or a tax rate increase in the taxing district where the property is located, or both. It is also possible that the assessor corrected an under-assessment of the property. The Department of Local Government Finance (DLGF) also updated the Real Property Guidelines for 2012. The Guidelines were 35 years old and their cost tables had not been updated since 2002.

**Q: What is the difference between Market Value and Market Value-In-Use?**

A: "Market value-in-use" is the value of property for a specified use, meaning that the value of the property is based on the ability of the property to produce revenue or utility for a particular use. For example, a residential home is valued as a place to live and not as a commercial location no matter where the home is physically sited.

Market value reflects the most probable price, estimated in terms of money, which a property would bring in a sale between a willing buyer and seller under arms-length conditions, in an open market with adequate market exposure and reasonable marketing time.

**Q: My assessor won't talk to me. What can I do?**

A: The DLGF has "Field Representatives" who may be able to assist you. These individuals are certified assessors and work in specific regions of the state, so they are well-versed on issues in specific counties. Contact information for your

## Frequently Asked Questions

county's field representative is available at [www.in.gov/dlgf/files/Assessment\\_Field\\_Repsby\\_County.pdf](http://www.in.gov/dlgf/files/Assessment_Field_Repsby_County.pdf).

You may also wish to talk to your county commissioners and/or county council to request assistance. You can ask these officials to help you set up a meeting with the assessor.

**Q: The Property Tax Assessment Board of Appeals (PTABOA) is not functioning. What can I do?**

A: The members of the PTABOA are appointed by local government: two by the county council and three by the county commissioners. In counties that have elected to have a three-member PTABOA, the county council appoints one member and the county commissioners appoint two members. In both cases, the county assessor serves as a non-voting member of the PTABOA. You may want to contact the assessor, county council, and/or the county commissioners with your concerns about the PTABOA.

### **CONTACT INFORMATION**

For more information on annually adjusting values of property in Indiana, contact your county assessor. A complete listing of assessor contact information is located at [www.in.gov/dlgf/2440.htm](http://www.in.gov/dlgf/2440.htm).