



Guiding Principles for Property Tax Reform

The Property Tax System, and the Local Government structure it supports, is complicated. Property taxpayers, Hoosier families, are hurting because of unpredictable and incredible increases in tax bills. Many are looking for someone to blame.

It took well over three decades and the inadequate or incorrect decisions of many officials, local, state, republican, and democrat to get here. If the “Fix” were easy, we would have done it by now. Much of what makes it hard is that, as Hoosiers, we value tradition and security. To many, that equates to a skepticism of change. Simply put, Hoosiers resist change and we elect likeminded individuals to represent and lead us.

In times of unrest such as these, it is understandable that some will propose radical solutions, or demagogue the issue for political or other purposes. Interest groups often retreat to a defensive pose to protect their turf. Elected officials can be reluctant to cast difficult votes, and seek to blame others. But these issues are too important to leave in this arena. Property taxes are the underpinning of a local government finance system that provides services critical to the quality of life in Indiana. We need to fix this problem in a way that preserves those services. We need a reasonable and predictable tax burden that allows Hoosier citizens to achieve the dream of homeownership and allows Hoosier businesses to prosper.

With the recognition that REAL, lasting reform is our goal, we offer the following guiding principles:

- IAR supports a market value standard for real estate assessment and a quality, professional, 21st century assessment system. A reformed system should eliminate townships as the primary assessment district, consolidate assessing jurisdictions, require assessors to be professionally licensed and appointed by the county executive.
- IAR supports state enforcement of 21st Century data standards and corresponding technological capacity consistently applied and adhered to throughout the state.
- IAR supports a reduced reliance on property taxes, accomplished by substitution of broad-based taxes based on an ability to pay (sales and income).
- IAR supports, for those local expenditures not funded by broad-based state taxes:
 - a. Complete elimination of levies that are best funded by broad-based state taxes.



- b. state-monitored controls on all remaining property tax levies and on all local government expenditures generally.
 - c. user fees, where applicable, to support services provided directly to property owners.
 - d. local option income taxes used for property tax replacement.
- IAR supports local government consolidation, including the elimination of township government and the appointment, not election, of officials performing ministerial, administrative functions such as those currently performed by assessors, auditors, recorders, surveyors, treasurers, etc.
- IAR supports reform of the local government budget making process. Reforming local government will allow reformation of the budget process such that all budget decisions will ultimately be the responsibility of the legislative body - whether it is a city or county council. Budget implementation will be the responsibility of the executive body - whether it is a city/town manager or mayor, or county commissioner.
- IAR supports a comprehensive evaluation and examination of the costs and benefits of all current deductions and exemptions. These policies, while intended to assist certain taxpayers and groups of taxpayers, lower the property tax base and increase tax rates for all taxpayers. Indiana should strive for a property tax base that is as broad as possible, thereby ensuring an equitable allocation of the property tax burden across all property.
- IAR supports the use of circuit breakers or other mechanisms aimed at mitigating adverse impact of property taxes on selected taxpayers (such as certain seniors on fixed incomes). These efforts should be specifically targeted and based only on a clearly defined public policy goal.
- IAR opposes a sales tax on real estate services. It would have the effect of reducing demand for housing and other real estate by increasing the cost of purchasing a home and other property. The tax would: increase closing costs on transfers, increase costs of operating a brokerage, and increase the cost of single and multifamily housing.
- IAR opposes a real estate transfer tax. Do we really want to impose *another property tax* and all of the negative economic impact and unpopularity it would bring? Imposing a second property tax at the very time when homeowners are experiencing the double barrel impact of increasing property taxes and a declining housing market with historically high foreclosure rates would add yet another layer of distress.



INDIANA ASSOCIATION OF REALTORS®, INC.

Perhaps more than any other group, REALTORS® understand the property tax system. It's our business. And as complicated as the system can seem at times, real reform can be achieved if we are willing to follow a few basic routes. Fix the assessment system, consolidate government, and raise broad based taxes to replace property taxes. There will be no silver bullets. There will be no dramatic new ideas that no one has thought of. There will be no solution devised where everyone gets what they want.

When followed, these Guiding Principles will lead to real, lasting, meaningful property tax reform.

EXECUTIVE OFFICES: 7301 N. SHADELAND AVE., STE. A, INDIANAPOLIS, INDIANA 46250
GOVERNMENTAL AFFAIRS OFFICE: CIRCLE TOWER BUILDING, 55 MONUMENT CIRCLE, STE.712 INDIANAPOLIS, 46204
TELEPHONE (317) 842-0890-- TOLL-FREE (800) 284-0084-- FAX (317) 842-1076 -- WWW.INDIANAREALTORS.COM