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Tax cap relief unit sees little activity

Area agencies opting for cuts over appeals

Niki Kelly and Amanda Iacone | The Journal Gazette

INDIANAPOLIS – Many northeast Indiana cities, towns, schools and libraries struggling under the weight of property tax caps aren't interested in taking advantage of a lifeline from the state.

They could ask for relief from a special state board – a move that would ultimately cost Hoosier taxpayers more – but the governmental entities are focusing on efficiencies and cuts rather than a bailout.

"We're going to try to see if we can get through this ourselves," said Laura Dillon, treasurer for the Andrews Public Library. "I told the librarian we are just going to have to buy fewer books."

The Andrews Public Library lost 6.5 percent of its levy in 2010 and is estimated to lose an additional 5.8 percent of its property tax collections in 2011. The 2011 cut equates to just \$3,000 but the library's entire levy is only about \$50,000.

When state lawmakers passed legislation creating the property tax circuit breaker, they also created a distressed unit appeal board for local governments hit especially hard by the caps.

Under law, a homeowner's property tax bill is limited to 1 percent of the home's assessed value. The cap is 2 percent for farmland and rental units and 3 percent for other businesses.

The savings to taxpayers, though, is money no longer going to support services in the community.

Twenty local governments in Allen and Huntington counties are eligible for aid from the board for the first time. Only two of those might seek relief.

Any government unit that loses at least 5 percent of its total property tax collections to the caps could appeal to the board and receive aid.

While local governments lost some revenue last year, the caps took full effect this year and had a much bigger effect on budgets.

Taxpayers in Allen and Huntington counties benefited the most from the caps this year, while other area counties saw little effect. Schools, libraries, cities and towns in both Allen and Huntington counties will lose even more property tax revenue next year on account of the caps.

Some communities are hit harder than others because of higher spending and lower assessed property values.

Units have until Dec. 8 to apply for relief for the 2011 budget. And it could be their last chance to regain some revenue.

That's because voters will be asked in November whether the caps should become a permanent part of the Indiana Constitution. Right now they are simply a law that can be tweaked or eliminated in the future.

If the referendum passes, the appeals process for distressed units goes away.