



August 8, 2007

Dear Editor:

People across Indiana, from Fort Wayne to Muncie to Evansville to Indianapolis, are angry about property taxes. I share their frustration. The lives of too many people have been turned upside down by this debacle. People have seen the dreams of a lifetime – sending a child to college, retiring or staying retired, even staying in their home – appear to crash down around them when they opened that fateful envelope.

The time for comprehensive overhaul of property taxes is now. The time for finger-pointing and procrastination is over. Our state has put this problem off for decades. No more.

It's also time to set the record straight on this crisis faced by the entire state of Indiana, but felt particularly acutely here in Marion County. If the people we serve are to understand what happened here and how, realistically, it can be fixed, they need to know the facts. There have been too many politically charged myths masquerading as facts the last five weeks.

First, the total property tax to be collected for all local government entities in Marion County – schools, libraries, townships, the cities of Lawrence, Beech Grove and Southport, the town of Speedway, the City of Indianapolis and Marion County – went up by about 10% in 2007. Of that total increase, about half came from schools and most of the rest was due to child welfare services and juvenile incarceration – two state-run programs for which Marion County taxpayers are billed. The impact of the increase in city and county spending on your property tax bill was less than 3%.

Even with the increases in state-run programs and school spending driving up the property tax collection by 10%, it makes no sense that “local spending” could not be the primary cause of tax bills that increased by 75%, 150% or even 300%.

Second, if “local government spending” was not the primary cause of the huge tax bill increases, what was? We know now that the bills were simply wrong. The failure by the elected township tax assessors to reassess business property caused homeowners to be charged not only for higher assessments on their property, but to pay for part of businesses' share of the tax bill!

But that's not all. The consequences of a number of state government policy decisions over the years all hit this year: the court-ordered switch to a market-price system for assessing taxes, a delay of six years between reassessments, the use of property value trending for the first time, the elimination of the inventory tax on businesses which furthered the tax burden shift from business to homeowners, the 2005 decision to freeze state property tax replacement credits, and a change in the state school funding formula to put more of the cost of schools on local property taxes. None of these steps was taken because governors and legislators wanted to see your taxes skyrocket, but the cumulative effect – hitting all in one year – has been devastating across the state.

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Armed with these facts, we can make intelligent decisions about short-term property tax relief and long-term reform. I challenge the state to step up and fix the problem that only it can fix! And I commit Indianapolis and Marion County to being partners in finding solutions.

In Indianapolis, city government already has done much to reduce the property tax burden. In the last seven years, city government property taxes increased only an average of less than one percent per year – far below the rate of inflation. With the budget I proposed this week, our taxpayers will see a reduction of \$50 million in city and county property tax collection for 2008.

We have cut \$83 million from budgets the last four years, and announced another \$13 million in cuts two weeks ago. Those parts of Indianapolis Works that have already been implemented – the police merger and the Washington and Warren Township fire mergers – are saving nearly \$20 million a year. And all this has occurred in spite of relentless state mandates, health care cost explosions, gasoline cost explosions and other fiscal challenges.

That's what we've done, but it is only at the State level where true and lasting reform can take place.

A couple of the steps the state can take are obvious and have been endorsed by the governor and state legislators from both parties. The state should pass the remainder of Indianapolis Works. Consolidation of the remaining fire departments, along with township assessors and trustees, will save over \$20 million dollars a year in property taxes every year!

The state should take over the cost of child welfare services. Marion County officials have no control over how the money is spent in these programs, or the outcomes, yet their citizens are given a bill each year and expected to pay it out of their property taxes. If the state took them over, Marion County property taxes would be cut by \$70 million every year.

The fundamentals of long-term property tax reform are not a mystery. Many other states have figured out ways to reduce the impact of property taxes and establish a system that is fairer and has more credibility with their citizens. I look forward to working with the state in a positive, productive way on long-term property tax reform.

Sincerely,

Bart Peterson