

Property tax relief pinches farmers

Written by Louise Ronald Staff Writer

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Between 2007 and 2012, Wayne County property taxes for homesteads — owner-occupied residences — fell by 35.2 percent. Other residential property taxes went down by 5.9 percent. Property taxes for businesses rose slightly by 4.4 percent.

During that same period, property taxes on farmland jumped 38.6 percent.

The Wayne County Foundation invited Larry DeBoer, a professor and extension specialist in agricultural economics at Purdue University, to address this discrepancy at its annual agribusiness dinner. DeBoer spoke to an audience of about 40 Wednesday at the Greens Fork Community Center.

Indiana instituted major property tax reforms beginning in 2008, but not all property owners have been affected equally.

“There’s a real misunderstanding about who got relief,” said Jonathan Ferris, Wayne County Extension educator.

“The legislature was mainly interested in delivering tax relief to home owners,” DeBoer said. Agriculture “doesn’t seem to have received very much relief at all,” he said.

“It’s all because of what’s going on with assessed value,” he said.

A base rate per acre is set for all farmland in the state. That rate is calculated by the state’s Department of Local Government Finance and is based on rents, yields, commodity prices, costs and interest rates.

For the assessed value of an individual piece of farmland, that base rate is multiplied by the soil productivity factor for the acre. Assessments are reduced if “influence factors” such as frequent flooding or forest cover apply to the land.

The base rate keeps rising. If considered from a starting point in 2007, DeBoer said, the base rate “will have more than doubled by 2014.”

The reasons for the increase are positive — rising grain prices and low interest rates. Still, ever-increasing tax bills are not popular.

“I think you understand why farmers are so frustrated,” Ferris said. “There’s no end in sight.”

“Farmland assessments are going to go up over the next three years,” DeBoer predicted. He said he felt prepared to make such statements with confidence because the formula used to calculate the base rate has a four-year lag. In other words, assessments for 2013 will be based on data ending in 2009.

“People ask me if this summer’s drought will affect their property taxes,” DeBoer said. It will, he tells them, but “that will enter the formula for taxes in 2016.”

DeBoer said the four-year lag could present problems in the future.

“The real danger is that we could reach a point where farm incomes could drop for several years and property

taxes wouldn't reflect that quickly enough," he said.

DeBoer did deliver some good news for counties along the Ohio border. A proposal by the Legislative Services Bureau to revamp the soil productivity factors — unchanged since 1980 — has been postponed to 2014 at least.

Because of the calculations used, DeBoer said, the proposal would have raised soil productivity factors for most Wayne, Union, Randolph and Franklin counties from 28 to 45 percent. Bills have been introduced in the legislature that would block the proposal beyond 2014, he said.

Clark Jordan of Boston Township, a member of the committee that invited DeBoer to speak, said farmers are well aware of how dramatically their property taxes have increased.

"I guess this lets us know exactly why and how," Jordan said after the talk.

Money reporter Louise Ronald: (765) 973-4469 or lronald@pal-item.com.