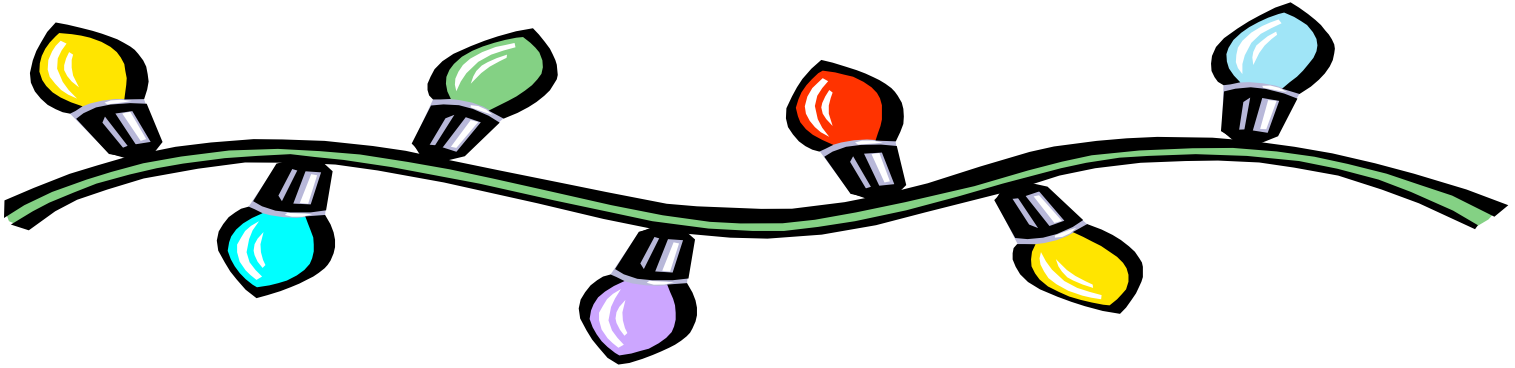


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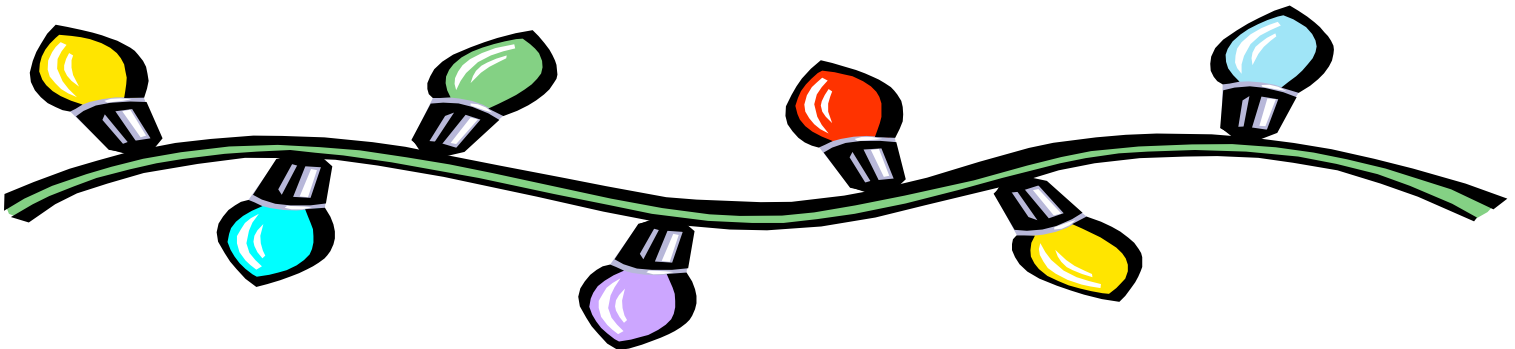
News and Views

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**Best Wishes for a Happy Holiday
And a Healthy Prosperous New Year!**

Your Friends at Ennes & Associates



[Pardon our dust!](#) *E&A's corporate headquarters is expanding! We've been working in a virtual construction site over the past 4 weeks. Scheduled completion is 12/20...just in time to celebrate the Holidays!!*

[We've been converted!](#) *E&A is also well into converting its internal and third party compliance programs to a state of the art fully integrated compliance system. This will allow us more time to focus on tax reduction opportunities as well as providing a number of additional budget reports and payment services.*

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Indiana Gone *Awry*!

After the Indiana Supreme Court declared the state's real property assessment rules unconstitutional in 1998, the state Tax Board was required to rewrite the rules for assessors on how to value real property for tax purposes. It was decided at that time that Indiana would switch to a market value system – a change that would drag on for over five years in the Indiana courts. This has proved to be an overwhelming and costly venture for most Indiana counties, giving rise to perplexing issues about tax and assessment.

The Indiana property tax system has been scrutinized for years by taxpayers and public officials alike. It is fraught with problems. The firm of Cole Layer Trumble (CLT) is performing Lake County's reassessment. The use of an outside appraisal firm has called the role of the assessor into question. A former attorney for the town of St. John, where the original property tax dispute started in 1991, suggested that assessors were influencing the tax base to ensure re-election. Others point to an apparent surplus of assessors. Throughout Indiana's 92 counties there are 174 township assessors and 800 assessor / trustees.

Lack of a market system has added to Indiana's problem of enforcing proper assessment practices. In other market value driven states, the assessors must provide sales to the department of revenue, which then performs a sales ratio study. If the study is flawed, then the state can require a revaluation. The state must oversee local assessment practices to ensure that the new system is being upheld and uniformly applied. The fact that the new system is market value based will help to accomplish this uniformity in Indiana.

How will property taxes be affected?

Under the former value in use assessment method, residential properties were generally under-assessed while most commercial industrial properties were over-assessed. If the switch to a market value system is actually made the tax burden should shift off of commercial taxpayers onto homeowners. Lake County residents could be the hardest hit with average tax increases expected to be around 16%. There are two reasons for this; (1), there is a lot of industry in the area to shift the burden away from and (2), homes have been historically under-assessed. Although some tax bills will go down, most homeowners will see a rise in their property tax bills. A disconcerting fact for elected officials.

On the plus side, lower property taxes for commercial and industrial taxpayers could incite growth. Business owners in nearby Cook County, IL., where the effective tax rate is over 8%, could be enticed to move business across the state line.

When will the reassessment be finished?

The majority of counties have not finished reassessing real property for tax year 2002. Most are predicting that assessment notices, normally mailed in early spring, will be issued after the first of the year. CLT does not expect the 2002 reassessment to be done until October 2003. State and county officials fear that if the reassessments are not completed timely, tax bills will be delayed causing late distribution of funds to schools, libraries and local government.

Facing an astounding cash crisis, Lake County Treasurer, Peggy Holinda Katona is looking for ways to keep the county fiscally sound. She hopes to avoid borrowing money to maintain services as the interest on these funds could be passed on to taxpayers on top of a tax increase. The Treasurer is considering estimated tax bills or asking some of the bigger taxpayers to make advance payments.

Hopefully, most of the reassessing will be completed by year-end and notices will be mailed shortly thereafter. E&A is in constant contact with assessing officials to track the progress of the reassessment. Please send us any assessment notices ASAP.

Tax Fact:

In the Netherlands, property assessments used to be based on the width of your front entrance. So, builders would make the front entrances really small and the rest of the house would radiate out from there. That is why so many older homes have a V-shaped design to them.

Is it that time ...again?!

Yes, its approaching year end and in most areas that means personal property returns will soon be due. Many times personal property returns are completed by plugging unaudited information from the fixed asset listing into the return. This basic approach will most likely result in missed saving opportunities. However, by examining the accounting information with an understanding of the relevant property tax rules significant tax savings may be achieved.

The first step in the process is to ensure the accuracy and integrity of the fixed asset listing. Most basically, you want to know if the assets actually exist and where they are located. Here are some other things to review:

- ❖ Acquisition cost & date
- ❖ Description/serial/model nos.
- ❖ Cost center
- ❖ Classification info
- ❖ Manufacturer
- ❖ Depreciation methods
- ❖ Net book value
- ❖ Other costs or value bases
- ❖ Itemization of freight, transaction taxes, installation or set up charges and entity overhead charges

After you have reviewed the fixed asset listing you can focus on specific property tax savings opportunities such as:

- ❖ Exempt property
- ❖ Exempt organizations
- ❖ Tax incentive programs
- ❖ Freeport exemption
- ❖ Idle equipment
- ❖ Pollution Control Equip

Give Jay Jerome, our Compliance Manager, a call for further info on any personal property issue or to discuss our handling compliance for your company.