

To the Editor:

Late September 2007, Indiana Farm Bureau unveiled for public consideration our proposal for Indiana property tax reform. A critical component of our plan is the removal of several entire levies from local property taxes and transferring their financial responsibility to the state.

What is a levy? In the world of Indiana taxes, the word "levy" means all taxes collected by a local government for a particular purpose. The levy size is determined by the government's estimate of how much money it will need for that purpose over the upcoming year.

Once a levy amount has been determined, it is then divided across all the assessed property in the taxing area to get the tax rate. The tax rate is then applied to an individual parcel of property to determine how much tax needs to be paid. The taxpayers final property tax bill is the total of all the taxes his property gets charged for all the levies it helps support.

If money from sources other than property taxes is used to pay for part of the levy, then the amount of the levy to be collected from property taxes can be reduced. This is how the General Assembly has reduced the property tax burden in the past. It works for a while, but history has shown that such efforts are short lived. After a time, local officials feel pressure from the public to provide more services and again turn to increase property taxes to finance the new services.

However, if entire levies are permanently removed from property taxes to state funding sources, then local property taxes for that levy cannot grow back. This is why levy removal is an integral component of the Farm Bureau property tax plan.

The state also should assume responsibility for levies where the state dictates the expenditures to be made from the levy. Expenditures such as those for child welfare services, courts, and schools are often dictated directly by the state or are mandated by state laws. Sound public policy requires the responsibility for spending and paying to be linked.

The only way to assure that property taxes will not creep back up is to remove entire levies from property taxes and place the responsibility for those costs with the state. This, after all, is where the decisions to spend the money are made.

Don Villwock, President Indiana Farm Bureau