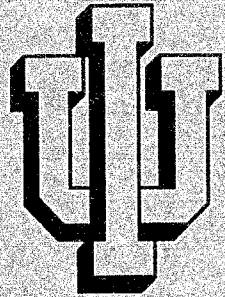


Figure 1. Factors that increased Indiana property taxes, 1988-1994



November 1996 Volume 71, Number 11
Indiana Business Review
Update A Monthly Overview of Economic Trends

Indiana University School of Business, Indiana Business Research Center

Property Taxes in Indiana

The election season has given us plenty of talk about property taxes. There is no contesting the fact that property tax levies in Indiana rose by 51 percent from 1988 to 1994.¹ Some analysts and politicians would make this sound as though governments have been gobbling up resources. Let's decompose that increase into its component parts.

The levy (the amount of taxes due prior to any credits or exemptions) rises when the assessed value of property rises or the tax rate increases. Assessed values rise for four reasons:

- 1) inflation -- the general increase in prices in the economy,
- 2) investments made by property owners,
- 3) increased demand for real property, and
- 4) changes and variations in assessment practices.

The general level of prices² rose from 1988 to 1994 by 24.6%. Hence the \$2.9 billion property tax levy of 1988 would have risen to \$3.6 billion by inflation alone. The total levy increased \$1.5 billion; of this amount \$708 million (48.3%) can be attributed to inflation.

The data available do not permit us to distinguish that part of increased assessed value arising from added investment in Indiana and that portion due to increased demand for real property in the state. Nor can we determine how changes and variations in assessment practices influence assessed values. We do know, nonetheless, that the assessed value of property in the state rose by 49.6% between 1988 and 1994. But after adjustment for inflation, this increase was only 20%.

¹ Our data are from EDIN table TAXR based on the reports of the State Board of Tax Commissioners.

² Our measure of price increases is the national personal consumption deflator. Other indices could be used with similar results.

To determine how much of the increased levy was due to an increase in the real value of property, we ask, "What if the 1994 assessed value of property had been taxed at 1988 rates?" Then the 1994 levy (payable in 1995) would have been \$4.3 billion compared with an inflation-adjusted 1988 levy of \$3.6 billion. This difference of \$717 million equaled 48.9% of the difference in the nominal growth of the levy.

Our story thus far: inflation accounted for 48.3% of the increased property taxes between 1988 and 1994. Another 48.9% was due to increases in investment, in demand, and in changes in assessment practices. That's 97.2% of the increased levy. What's left (see figure 1)?

Property tax rate increases from 1988 to 1994 added only \$41 million dollars to the tax bill for Hoosiers. To state the matter in different terms: of every added dollar due from Hoosiers for property taxes, less than three cents can be attributed to higher tax rates.

County differences...

From 1988 to 1994, twelve Indiana counties had a decline in the real value of assessed property (see figure 2). These included areas as diverse as Allen, Lawrence, Gibson, and Sullivan Counties. Another 24 counties failed to realize an increase of 10% in that six year period. At the same time, six counties (Hamilton, Hendricks, Putnam, Johnson, Vigo, and Harrison) enjoyed real growth in the assessed value of property of more than 40% (compared with the statewide figure of 20%).

The 36 counties that performed so poorly might be of more importance for economic development than the expressed concern over property tax rates. When the election is over, half the candidates may become serious office holders, or so we can hope.

-mjm

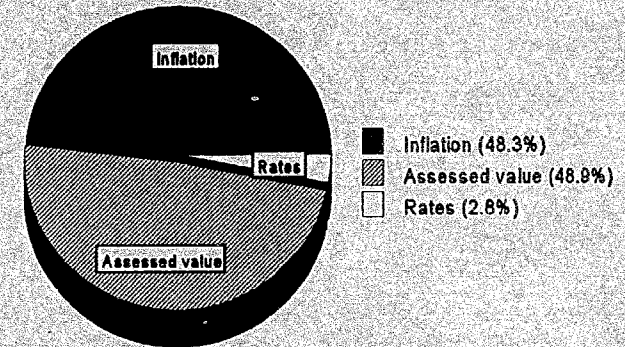
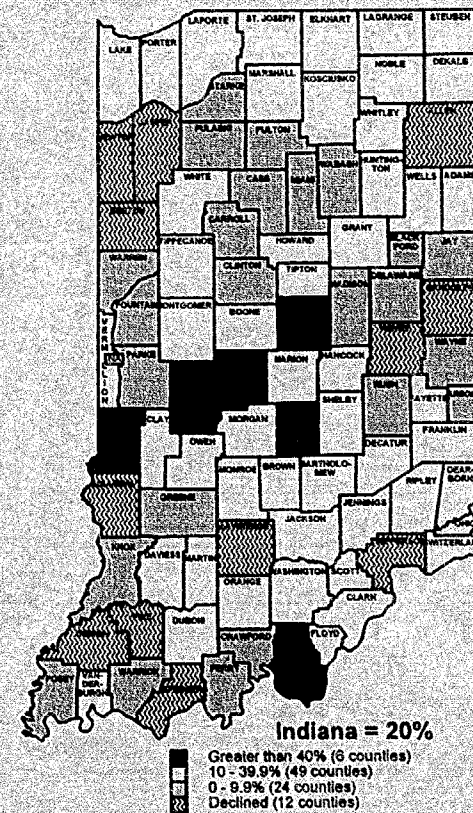
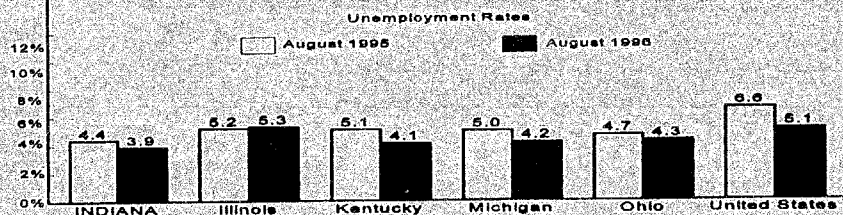


Figure 2. Changes in real assessed value of property, 1988-1994



The Regional Employment Situation

Total Persons Employed	August 1995	August 1996	Number Change	% Change	Rank in US
INDIANA	3,004,900	2,981,000	-21,900	-0.7%	46
Illinois	5,804,400	5,868,700	64,300	1.1%	37
Kentucky	1,773,000	1,786,300	13,300	0.8%	40
Michigan	4,553,800	4,692,000	138,200	3.0%	12
Ohio	5,415,300	5,550,100	134,800	2.5%	18
United States	125,926,000	128,143,000	2,217,000	1.8%	N/A



Employment - Hours - Earnings by Industry

INDIANA	Establishment Related Employment		Average Weekly Hours		Average Weekly (Real) Earnings	
	August 1996	% Chg. 95/96	August 1996	% Chg. 95/96	August 1996	% Chg. 95/96
Total Non-Ag	2,766,700	0.6%	NA	NA	NA	NA
Mining	6,600	-1.5%	44.4	-3.5%	\$742.37	-8.5%
Construction	143,400	2.1%	41.8	3.5%	\$727.74	4.8%
Manufacturing	675,700	-1.3%	42.6	0.2%	\$598.96	-1.4%
Durable	484,500	-1.3%	42.9	-0.9%	\$620.33	-2.6%
Non-durable	191,200	-1.2%	41.8	4.0%	\$541.73	3.1%
Wholesale	141,900	2.4%	36.8	-0.8%	\$447.49	0.7%
Retail	546,700	2.0%	29.7	1.7%	\$228.99	4.3%
Finance, Insurance & Real Estate	135,600	1.6%	35.9	0.0%	\$378.39	-0.2%
Services*	639,000	0.8%	33.3	1.5%	\$337.66	0.1%

Employment - Hours - Earnings

(Not seasonally adjusted)

Metropolitan Statistical Areas (MSAs) in Indiana

NON-AG WAGE & SALARIED EMPLOYMENT	August 1995	August 1996	Change	
			Number	Percent
Bloomington MSA	58,700	60,000	1,300	2.2%
Elkhart-Goshen MSA	115,800	120,600	4,800	4.1%
Evansville MSA	147,600	146,000	-1,600	-1.1%
Fort Wayne MSA	256,400	260,100	3,700	1.4%
Gary MSA	249,200	256,400	7,200	2.9%
Indianapolis MSA	791,000	795,600	4,600	0.6%
Kokomo MSA	52,400	55,700	3,300	6.3%
Lafayette MSA	78,800	83,100	4,300	5.5%
Muncie MSA	58,300	56,200	-2,100	-3.6%
New Albany Area*	72,500	81,500	9,000	12.4%
South Bend MSA	129,500	128,600	-900	-0.7%
Terre Haute MSA	68,600	68,800	200	0.3%

MANUFACTURING	August 1996	Employment	Average Weekly Hours		Average Weekly Earnings	
			Average Weekly Hours	Average Hourly Earnings	Average Weekly Earnings	
Bloomington MSA	10,900	37.9	\$10.85	\$411.22		
Elkhart-Goshen MSA	58,700	40.0	\$11.97	\$478.80		
Evansville MSA	31,000	41.4	\$13.13	\$543.58		
Fort Wayne MSA	74,500	41.5	\$14.42	\$598.43		
Gary MSA	51,700	41.0	\$19.01	\$779.41		
Indianapolis MSA	126,700	43.8	\$15.52	\$679.78		
Kokomo MSA	22,600	51.6	\$19.79	\$1,021.16		
Lafayette MSA	21,200	44.8	\$14.89	\$667.07		
Muncie MSA	10,900	43.9	\$14.32	\$628.65		
New Albany Area*	19,600	43.0	\$11.48	\$493.64		
South Bend MSA	22,500	42.3	\$12.24	\$517.75		
Terre Haute MSA	11,900	43.9	\$14.11	\$619.43		

*Employment includes schools; Hours and Earnings excludes schools. *The New Albany Area (Clark, Floyd, Harrison, Scott counties) is part of the larger Louisville MSA. (Real) indicates dollars adjusted for changes in consumer prices to 1996 level. Employment and earnings data based on preliminary and revised series provided by the Indiana Department of Workforce Development.

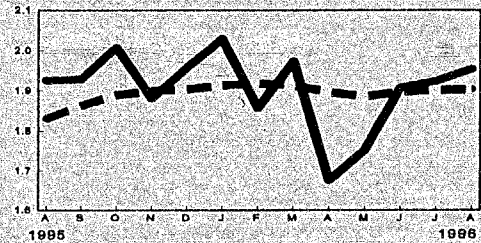
Indiana Economic Activity

Monthly Data
 12 Month Moving Average

Raw Steel Production

American Iron and Steel Institute
(Millions)

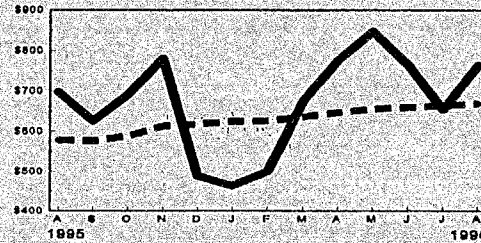
August 1994 — 1.642 August 1995 — 1.926 August 1996 — 1.954



Total Construction Activity

F. W. Dodge Construction Potentials Bulletin
(Millions)

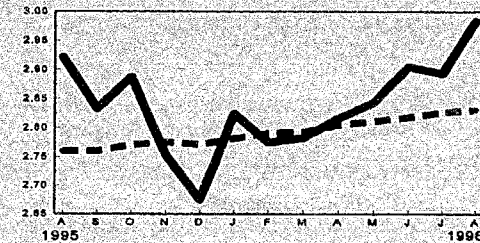
August 1994 — \$612.4 August 1995 — \$697.0 August 1996 — \$762.6



Industrial Electricity Sales

(The 5 investor owned utilities)
(Billions)

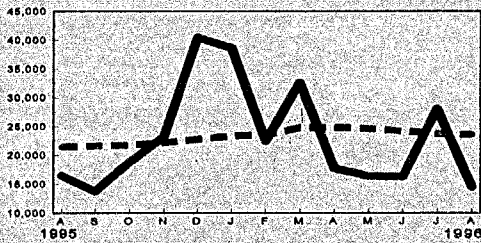
August 1994 — 2.895 August 1995 — 2.921 August 1996 — 2.893



Initial Unemployment Insurance Claims

Indiana Department of Workforce Development

August 1994 — 14,614 August 1995 — 16,530 August 1996 — 14,468



Ups or Downs... Indiana Indicators Year-to-Date

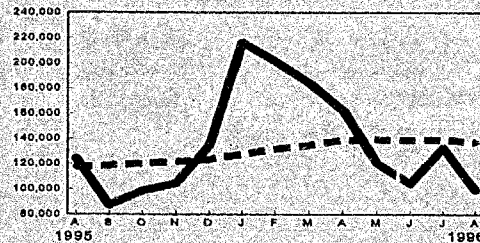
(based on September 1995 through August 1996 and compared to same period the year before, unless otherwise noted)

- Raw steel production** climbed to 22.8 million net tons, an increase of nearly 1 million tons over last year.
- Total construction activity** grew by \$1 billion, for a total of \$8 billion spent on residential and non-residential construction.
- Industrial electricity sales** grew by nearly 1 billion kilowatt hours, to a total of 34 billion hours.
- New car registrations** in Indiana totalled 167,432, an increase of 5,280 over last year.
- New home starts** totalled 36,538 units, an increase of 3,763 more than the same period last year.
- Retailers** rang up \$54.1 billion in sales between August 1994 and July 1996, an increase of \$2.7 billion over the same period last year.

Continued Unemployment Insur. Claims

Indiana Department of Workforce Development

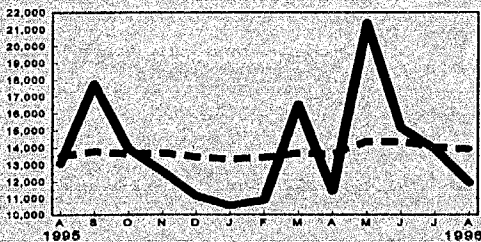
August 1994 — 103,333 August 1995 — 124,416 August 1996 — 99,520



New Car Registrations

R. L. Polk and Company

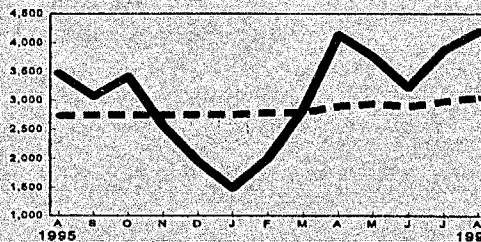
August 1994 — 11,599 August 1995 — 13,090 August 1996 — 11,956



Housing Starts

F.W. Dodge Construction Potentials Bulletin

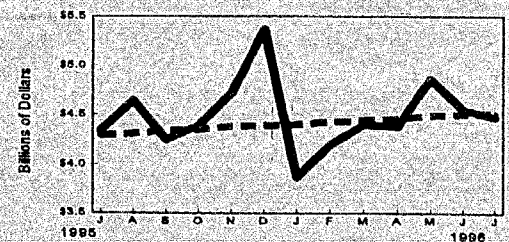
August 1994 — 3,234 August 1995 — 3,469 August 1996 — 4,197



Retail Sales

Bureau of the Census
(Billions)

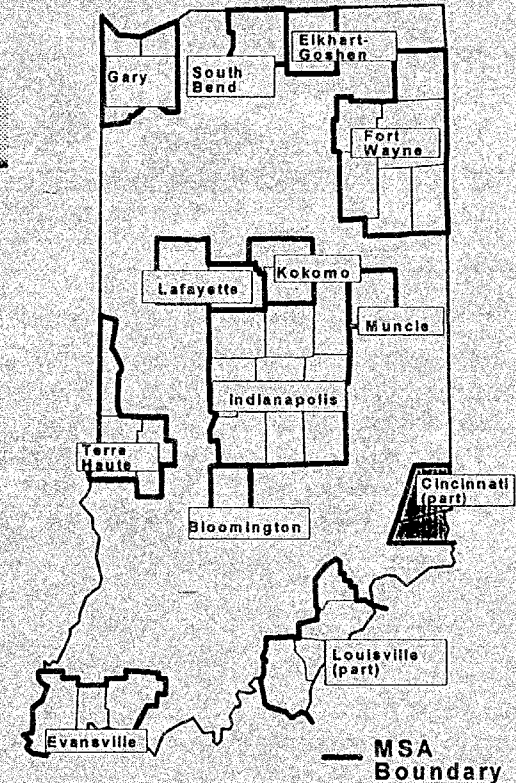
July 1994 — \$3.98 July 1995 — \$4.34 July 1996 — \$4.48



Regional Income in a National Perspective

Indiana encompasses 11 of the 313 officially defined Metropolitan Statistical Areas (MSAs) in the United States. Six Hoosier counties are part of MSAs in contiguous states. Each year, the U.S. Bureau of Economic Analysis releases income data and national rankings for these areas. Shown here are the per capita personal income (PCPI) data and ranks for these areas. These data are the latest available (1994).

MSA	PCPI	Rank	POP	Rank
Bloomington	\$17,590	258	113,800	283
Cincinnati	\$22,303	73	1,581,200	31
Elkhart	\$20,796	126	164,000	212
Evansville	\$20,878	120	286,600	155
Fort Wayne	\$21,330	104	469,100	100
Gary	\$20,026	145	619,900	81
Indianapolis	\$23,169	50	1,461,700	35
Kokomo	\$21,804	87	99,300	298
Lafayette	\$18,984	194	166,700	210
Louisville	\$22,081	76	980,900	57
Muncie	\$19,285	177	119,200	275
South Bend	\$20,584	130	255,400	164
Terre Haute	\$17,676	252	149,700	229

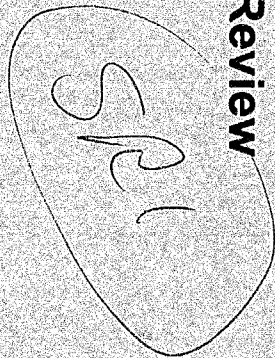


These data for MSAs and more are available through the Indiana Business Research Center's web site — www.bus.indiana.edu/research.

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Indiana Business Review Update

Indiana Business Research Center
 Indiana University Research Park
 Suite 110
 501 North Morton
 Bloomington, IN 47404



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- Support for this publication provided by the Indiana Department of Commerce.
- Data in this report are available from the Economic Development Information Network (EDIN) - call (812)855-5507 for details.
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 This issue prepared by: Morton J. Marcus, Director; Carol O. Rogers, EDIN & Public Information Manager; Terry Creeth, Database Manager; Bethany Sprague, Database Coordinator.