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MEMORANDUM

Subject — Personal Property — Inventory Deduction Reporting

The Indiana General Assembly passed legislation mandating inventory a 100% deduction starting with the March 1, 2006 pay 2007 assessment year for Personal Property. Although inventory will be 100% deducted for the majority of taxpayers, taxpayers will still need to report the deduction in the Summary Section of their Personal Property Assessment Return (Form 103-Long, Form 103-Short, Form 103C, and Form 104). The Inventory Deduction is reported on Line #54 of Form 102 (Farmer's Tangible Personal Property Assessment Return).

The County Assessor should report their values net of the inventory deduction to the County Auditor. The County Assessor should also provide the amount of inventory deduction that they applied by taxing district. The County Auditor will not be responsible for applying the inventory deduction and should apply all other deductions and exemptions to gross assessed value net of inventory.

The Parke County Council adopted the elimination of inventory before it was mandated with an additional (CEDIT) County Economic Development Income Tax of 25% to replace lost revenue in property taxes.

Each year prior to the calculation of property tax statements the County Auditor must calculate the CEDIT homestead credit rate. The calculated CEDIT homestead credit rate is added to the state homestead credit rate certified by the Department of Local Government Finance. The total of the homestead credit rate is the homestead credit rate used for tax statement calculation.

Calculation consist of an allocated CEDIT homestead credit rate that varies by taxing district in proportion to the inventory assessed value is each taxing district.

In the first year a county adopts the CEDIT homestead credit the CEDIT dollars available for CEDIT homestead is 98% of the CEDIT distribution to the county. The reason it is 98% rather than 100% is that there needs to be built into the CEDIT homestead credit rate calculation a balance available for additional CEDIT homestead credit that may occur at the December Settlement.

In the years following the first year of adoption the CEDIT homestead credit dollars available for CEDIT homestead credit will be the balance in the CEDIT Homestead Credit Fund plus the current year CEDIT homestead credit distribution times 98%.

The CEDIT homestead dollars available for CEDIT homestead credit allocated to each taxing district on the basis of inventory assessed value are divided by the net residential real estate and mobile home taxes of each taxing district to get the allocated CEDIT homestead credit rate for each taxing district, because the CEDIT homestead credit rate will be applied to both real estate and mobile home residential taxes.

The net residential taxes are the gross residential taxes on properties receiving homestead credit minus the property tax replacement on those taxes. The net residential assessed values used in the calculation to the net residential taxes must be the current year net residential assessed values and not the previous year's net residential assessed values.

For additional information please contact the Parke County Auditor's Office at (765)569-3422, Monday — Friday 8 to 4 p.m.