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The basics of property tax abatement and conflict

Several Indiana Communities have recently experienced controversies regarding a thing called property tax abatement. Huntington County citizens can fortunately count on the integrity of our local officials and employers who exercise good judgment with abatements and our county is not a center of conflict as a result. We have a good process and our local employers have responded very positively.



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ourselves about the significance of property tax abatement and how it helps our community if properly administered. Here are a few details to remember.

The concept of property tax abatement is not a new one in Indiana. The original law was approved 36 years ago by the Indiana General Assembly. At its most basic level, property tax abatement allows for the phase-in of the new tax liabilities resulting from employer investments intended to improve their business opportunities. The General Assembly concluded during its 1977 debate that it's in the interests of the taxpayers and communities at large for businesses to be successful and that voters expect local government to somehow help create job opportunities.

More importantly, the time just after a compa-

ny has spent a large sum of money to grow, is the worst time to significantly increase their tax liability — a liability created because they wanted to improve their business, hire more people or otherwise improve their real estate. Again, the taxpayers and community at large benefit from the investment but the company may not be able to create the opportunity if they are required to pay new, significantly higher property taxes immediately after spending a large sum of money. Sometimes property tax abatement is the only way a company can afford to make the new investment.

Property tax abatement is not a cash benefit paid by the taxpayers to help a company, nor does it reduce any current liabilities the company may have. It simply reduces their liability associated with new investments in the short term, when they can least afford it, and "phases-in" the tax liability over a period of time.

The approval of tax abatements by various governmental units does

not result in budget cuts. However, some taxing units who want to increase their spending occasionally express concerns that abatements slow the opportunity for increased governmental revenue which could support more spending. There is some merit to that argument, especially if the public desires the governmental units to spend more money. However, if companies are not able to grow, the original base value for taxation could become at risk. That would be bad for us all.

Abatements are only relevant if the company actually makes the investment creating a larger assessed valuation. If a municipality offers an abatement but the company doesn't make the investment, the abatement simply "goes away." Again, there isn't a cash outlay from the taxpayers.

There is an annual compliance process during the life of the abatement requiring the beneficiary to annually disclose their progress toward the investments and job creation goals they disclosed when

making the original application. If the company doesn't participate in the compliance process, the abatement simply "goes away." The municipality has an annual opportunity to decide if the abatement should continue.

The approval and annual compliance procedures can vary slightly from one municipality to another, but in Huntington County, the process takes place in public meetings either before the County Council, City Council in Huntington, or the various town boards in communities throughout the county. All of those groups are comprised of people we know and often live near.

There are dozens of

other details regarding property tax abatement or property tax "phase-in" but overall, the process is very helpful to our communities if properly administered and should be a cause for celebration.

Mark Wickersham is the Executive Director of Huntington County Economic Development, a 501 C 3 entity committed to promoting opportunities for job creation and capital investment within Huntington County. He formerly served as the Northeast Regional Director for the Indiana Economic Development Corporation and has served as a staff member for two different Members of Congress and has experience as a loan officer for an area community based bank. Wickersham was recently elected as President of the Northeast Indiana LEDO Council of the NE Indiana Regional Partnership.