Frequently Asked Questions – 2021 edition

Q. I have received reduced/no rent due to Covid pandemic and cannot evict. What can be done for my assessment?

A. Issues for owners regarding the financial impacts associated with the Covid-19 Pandemic will be handled on an individual basis. For consideration, owners will need to file:

2018-2019-2020 Federal Schedule E or Federal Form 8825

Any documentation provided by State/Federal government such as 1099's

Documentation regarding any payments received through rental assistance programs.

Any documentation regarding judicial filings, etc.

Copy of first and last page of the current lease.

An online form is available under "Covid-19 Updates" and will allow for attachments of these records. Please feel free to contact either the County or Township Assessor offices for any further questions regarding this issue.

Q. My property is assessed as a rental and the value continues to increase. Why?

A. Each year, we review and track all rental sales occurring in Allen County. Under Indiana Code, we recalculate the current GRM's using sales from the prior year. If those sales are showing a steady trend upward, the resulting GRM is also going to result in higher assessed values. This process also works in reverse, resulting in lower assessed values following a market slowdown. Our recommendation is to use the tools provided, such as "COMPS," "PATI" and "Rental Property Calculator" to see what sales are occurring and how your property compares. Please feel free to contact our offices with any questions you may have regarding the assessment process or help with any of our online tools.

<u>Frequently Asked Questions</u> (cont.)

Q. How do I get a rental deduction?

A. In Indiana, there is not a "rental deduction." Real estate in Indiana is valued based on "market-in-use." Rental properties are typically purchased with the intent of investment, not as a primary residence, therefore, investors typically will purchase for a lower price. An income property owner will need to complete a rental questionnaire and supply a copy of the current lease with either the County Assessor's office or with the Wayne Township Assessor's office. When this information is filed, we are able to value the property based on sales of other residential rentals through the use of a gross rent multiplier, usually, though not always, resulting in a lower assessed value. This is simply using another approach to value, not an actual deduction or exemption.

Q. What is a "GRM"?

A. A GRM is a Gross Rent Multiplier, or a ratio of sale price to rent.

Gross Rent Multiplier: Sale Price / Rent = GRM.
Rent * GRM = Assessed Value

An example would be: 521 Market St. sold for $35,000 in 2011 and currently rents for a market rent of $500. The annual GRM for this property would be $35,000 / 500 = 70 or a monthly GRM of: ($35,000/500)/12=5.83.

Q. Why do I need to provide my income information?

A. In order to accurately and uniformly assess income properties, we need this data to establish what actual market rents in a particular area are and determine any trends as time goes by. Per IC 6-1.1-35-9, any information pertaining to income and expenses is constitutionally protected and will remain confidential. In order to maintain accurate property information, we will be unable to price any new rental properties with the income approach without signed verification from the owner or a copy of the current lease.

Q. I feel the value is too high. What can I do?

A. If you disagree with the assessed value, please contact our office, the County Assessor or the Wayne Township Assessor, to discuss your concerns. If we are able, we will handle any corrections immediately. If this is not possible, the owner has the right to appeal any assessed value up to 45 days after the date a Form 11 Notice of Assessment Change is mailed, or, if no notice was mailed, up to 45 days after the date of the first tax bill. The appeals process is very straight-forward and taxpayer-friendly, providing you with the opportunity to have your questions answered according to a statutory procedure. If, in the appeal process, you are not able to resolve the issue with the County/Twsp representative, you will have the ability to present your concerns to the Property Tax Assessment Board of Appeals (PTABOA). From there, you also have the option of appealing to the Indiana Board of Tax Review.

Frequently Asked Questions (cont.)

Q. I purchased a property for a family member to live in. They do not pay rent. Does my property qualify?

A. If the family member is not on the deed and is living in the property as a tenant, not qualifying for the homestead exemption, then, yes, the property can be valued with the income approach. In situations where below or above market rent is charged, we will use the estimated rent for the area. This ensures uniform assessments for all income properties in the area.

Q. I'm renting my property as "Rent to Own." Why doesn't this qualify?

A. Rental properties are valued using the Income Approach for properties that have been purchased as income investments with no intent to sell to the tenant. Rent-to-Own is basically an unrecorded contract to sell the property with the tenant responsible for the property taxes. If the contract to sell is recorded, then the tenant would be able to apply for various exemptions, including the homestead.

Q. Why are there different GRM's throughout the county?

A. GRM's, Gross Rent Multipliers, calculated from the sales and rents of income properties, can indicate the investment potential in a specific area. Areas with a low GRM likely indicate a short term investment, usually accompanied by higher vacancy rates and maintenance costs. A higher GRM typically indicates an area where an investor expects a longer term investment with lower vacancy rates and maintenance costs. The annual GRM indicates how many months it would take for the investor to recoup their <u>initial</u> investment in a property, not including taxes, interest, etc and the monthly GRM indicates how many years.

Q. I purchased my property through the Allen County Tax Sale. Why aren't tax sales used when assessing income properties, especially if they are the predominant sales?

A. A property is entered into the County Tax Sale after the owner has not paid three consecutive tax bills. The value is based on the taxes owed, not the actual market value of the property. Therefore, these sales are not included in any studies. These properties may also be purchased with the intention of income based on likelihood of redemption by the owner and subsequent interest payments to the purchaser.