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## Lawmakers act to curtail 'dark box' property valuation method

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There could be some relief in sight for local governments that were losing tax revenue due to the so-called “dark box” valuation method of commercial property in their counties.

Lawmakers on Thursday, shortly before adjourning the 2016 session of the Indiana General Assembly, easily passed and sent to the governor a bill establishing a property valuation method known as “market segmentation,” in which property types would be evaluated based on where they fall into specific market classes.

“If you have a big-box store, a Meijer, comparable sales would be to another Meijer or retail store that’s like that,” said Rep. Tim Brown, R-Crawfordsville. “A lot of the big-box stores are sold and become strip malls where the front of the building is retail and back is warehousing or vacant. That is not the same segment.”

Dark store valuations use closed or sold stores as comparisons in determining the value of newer stores, often resulting in lower tax bills for retail stores by lowering the properties’ assessed values.

But county assessors say local governments are deprived of needed tax dollars under that system. One study found that approach could result in a statewide loss of more than \$120 million in tax revenue from more than 17,000 commercial property owners.

The bill specifies that “a valuation does not reflect the true tax value of the improved property if the purportedly comparable sale properties supporting the valuation have a different market or submarket than the current use of the improved property.”

The bill also repeals provisions in a 2015 law meant to curtail the dark box method.

“It was a compromise between cities and counties and the retail people, but it was very convoluted,” Brown said. “We felt like going forward this needed to be simplified a bit.”

Allen County Assessor Stacey O’Day said earlier in the session that she was in favor of the market segmentation approach.

But an attorney who specializes in property tax law and has represented retail stores said earlier that he opposes the concept.



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