



# Phase II Software Certification Third-Party Tester Training



Department of Local Government Finance  
June 10, 2009

# Agenda

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- Background Information
- Testing Logistics
- Testing Scenarios
  - Section 1: General Software Requirements
  - Section 2: Scenario Demonstration
  - Section 3: Walkthrough
  - Section 4: Reporting and Archiving

# Information Provided

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- Presentation Slides
- Testing Scenarios
  - Code cites included with each testing scenario for reference purposes or if you have any questions on what is required from a legal perspective.
- 50 IAC 23
- Emergency Rule for Export Formats

# Background Information

## History of Software Certification

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- The process for software certification started in 2006 when the General Assembly adopted legislation requiring standardization of property tax management computer software systems.
- 50 IAC 23 was adopted in 2006 to document the specific requirements for software functionality and certification.
- 50 IAC 23 requires a three-part software certification process:
  - Certification of individual software programs
  - Certification of system integration across software programs
  - Certification of local county installations

## History of Software Certification (Continued)

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- For efficiency purposes, these three certifications have evolved into a two-phase process:
  - Phase I: Certification of Individual Software Programs
    - Software Required to be Certified: CAMA, Tax and Billing, Personal Property, Oil and Gas, Sales Disclosure\*
      - \* Only the State Sales Disclosure Application was required to receive certification during Phase I as it is the required Sales Disclosure program. Counties may continue to use other sales disclosure programs for their own internal use.
  - Deadline: December 31, 2008

## History of Software Certification (Continued)

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- Phase II: County Software Certification
  - Phase II County Software Certification is the combination of the System and Integration testing and the Local County Installation testing required by 50 IAC 23.
  - Each county must complete Phase II software certification in order to certify the functionality of their local property tax management system and the integration between all included software programs.
  - Deadline: June 30, 2010
  - Each county must engage an independent third-party testing entity to perform the Phase II tests and provide a report regarding the outcome of this testing.
  - DLGF and county will certify the local county installation when Phase II testing has been successfully completed.

## Prior to Testing

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- Ensure installation of certified software packages. Phase II testing cannot be conducted until all certified versions of the software packages are installed and functional.

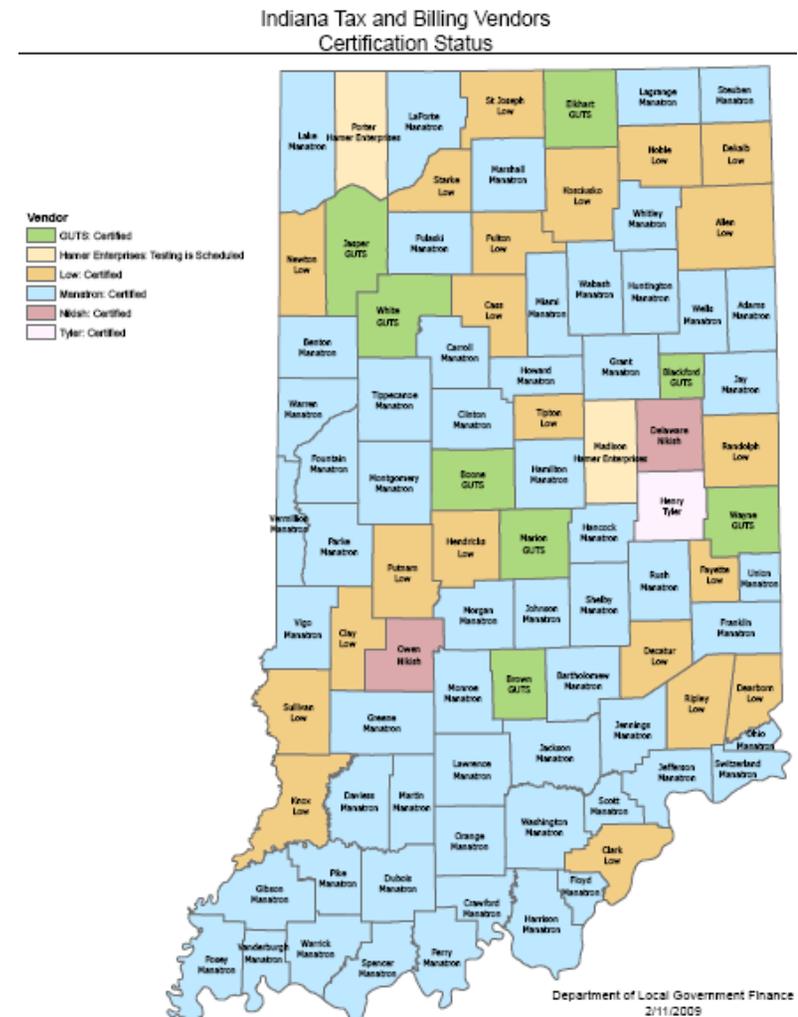
# Software Installation Listing

- Maps of Software Vendors in Each County

- CAMA
- Sales Disclosure\*
- Tax and Billing
- Annual Adjustment\*
- Personal Property

<http://www.in.gov/dlgf/7697.htm>

\* Not required to be Phase I certified per DLGF.



## Certified CAMA Programs

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- Government Utilities Technology Service (GUTS) - PVDNet Version 3.1
  - Not certified for Oil and Gas Assessments
- Manatron – Proval Plus Version 7.11.0.3262
  - Not certified for Oil and Gas Assessments
  - Not certified for Personal Property Assessments
- Tyler Technologies - iasWorld Version 5.3.1
  - Not certified for Oil and Gas Assessments
- XSoft – INCama
  - Not certified for Oil and Gas Assessments
  - Not certified for Personal Property Assessments

## Certified Tax and Billing Programs

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- Government Utilities Technology Service (GUTS) - PVDNet Version 3.1
- Low Associates - WinTax Version 4.0 Release 6 Build 0
- Manatron - MVP Tax Version 2.34.1024
  - Has since been renamed to MVP Tax Version 3.0
- Nikish - RMS Tax Version 1.1.17
- Tyler Technologies - iasWorld Version 5.3.1

## Certified Personal Property Programs

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- AS2 Solutions - PropMan Version 2.0.1
- Compunique - Compunique Personal Property Information Version 7081223.1
- DoxTek - iDox Personal Property Version 4.4
  - iDox has since been sold to Manatron

# Certified Oil and Gas Programs

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- AS2 Solutions - PetroMan Version 2.0

# Testing Logistics

## Testing Set-Up: Physical Needs

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- Computer with all necessary software installed
- Optional:
  - Projector
  - Printer and paper
  - Memory storage devices (Flash drive, CDs)

# Testing Attendees

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- County officials/employees
  - Assessor's Office
  - Auditor's Office
  - Treasurer's Office
- County IT staff
  - Some counties have separate IT staff
  - Other counties may use vendor representatives or outside IT companies
- Vendor representatives
  - CAMA
  - Tax and Billing
  - Personal Property
- Third-party tester representatives

## Attendee Roles and Responsibilities

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- County Officials/Employees, IT Staff and Vendor Representatives
  - Demonstrate all testing scenarios
    - County officials and staff should control the computer as much as possible
    - Certain testing scenarios may be demonstrated by vendor representatives
  - Provide print-outs or exported files as necessary
    - Work papers to document results of testing
- Third-party Tester
  - Observe testing scenario demonstration
  - Document testing results in sufficient detail
  - Provide feedback throughout testing and at conclusion of testing

## Testing Set-Up

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- BIG QUESTION: How does a county conduct Phase II testing without shutting down the whole system during testing?
- Testing Environment
- Vendor Servers
- “Dummy” Taxing Districts
- Timing of Testing – Evenings/Weekends
- Each county (together with its vendors) is responsible for determining how to conduct testing.

## Testing Dataset

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- DLGF has indicated that only a subset of the County's pay 2009 data needs to be used for testing.
- Each county, together with its vendors and third-party tester, is responsible for selecting the appropriate taxing districts.
- Taxing District Needs:
  - Full range of taxing units – county, township, library, school, city, special districts if available
  - Multiple TIF Allocation Areas including one TIF Allocation Area that overlaps two taxing districts.
- What if this doesn't exist?
  - Create the situation using the data available.

## Testing Order and Scripting

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- Some vendors have asked about the order of the testing. In some instances, they have indicated that the tests would be better accomplished in a different order.
- The order of the tests is not set in stone. The most important thing is that all tests are demonstrated during the testing period.
- If a vendor would prefer to script the test prior to the testing dates, that would be appropriate. Ask them to provide you with a copy of their script for testing purposes so you can follow along easier.

# Testing Documentation

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- As you conduct testing, document as much as possible.
  - Easier to conduct testing.
  - Easier to prepare final report.
- What to document?
  - Property record number for those properties which are utilized during testing.
  - Items you need to come back to at a later time to allow for transfer of information across sub-systems.

## After the Testing

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- Prepare a report which should be provided to the county and DLGF documenting the results of testing.
  - For each test, identify whether or not the testing demonstration was compliant with requirements.
  - Provide recommendation as to certification.
- If a county is not fully compliant after the original round of testing, retesting should focus only on those tests which were deemed noncompliant. Compliant tests do not need to be retested.

## Recertification

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- 50 IAC 23 calls for the recertification of the property tax management system when a “major change” occurs or within 24 months before the start of each general reassessment.
  - For the purposes of Phase II, “major change” would include conversion to a new software program.
- As a requirement of Phase I certification, each software vendor must provide DLGF with the release notes for each update to the software package. If DLGF finds that the update may impact the ability of the software package to perform the required functionality, the vendor may be asked to retest.
- Phase I also requires the certification of any new software packages.
- For the majority of counties, so long as their software vendors stay the same and the programs are Phase I certified, recertification will likely only be necessary in advance of general reassessments.

## Overall Thoughts on Testing

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- The number one thing to remember while testing is FLEXIBILITY.
  - While conducting testing, you won't have all of the data and files you need preset in order to conduct all of the tests.
  - If you don't have the necessary situation within your dataset, create the situation. The vendors should be able to input data during testing which will allow them to demonstrate all of the tests. There may be some downtime during testing while the data is created.

# Testing Scenarios

## Cover Page to Testing Scenarios

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- On the cover page of the testing scenarios or on a similar form, document the following information:
  - Testing Details:
    - Location
    - Dates
  - Vendor & Software Package Information
    - Vendor Name
    - Software Package
    - Use for Software Package (CAMA, Personal Property, Oil/Gas, Tax and Billing)
    - Certified, Technical Documents and User Documents?
      - Prior to the initial testing date, confirm with DLGF that the software packages to be tested are the currently certified version and have provided all required technical and user documentation.
  - Testing Participants
    - For each participant, document name, entity/company, position, email address and phone number.

## Section 1: General Software Requirements

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- This section tests basic functionality of the software systems.

## 1.1 Software Requirements

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- 50 IAC 23 requires installed software to be current and supported by the vendor.
- In addition, the software should be a certified version of the software program as discussed earlier.
- Ask each vendor to provide a letter certifying the following four items:
  1. The software continues to be published or inventoried by the vendor.
  2. The software is completely maintained by the vendor.
  3. The software is actively supported as a fully maintainable and market viable product.
  4. The software is not targeted for discontinuation within the next 24 months.

## 1.2 Batch Updates

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- Due to the large amount of information that the property tax management system must handle, the ability to import files containing data correctly and efficiently is vital for the successful operation of the system.
- Part 1: Perform an update run by successfully importing a flat ASCII file without encountering any error messages.
  - Examples of batch files that could be used:
    - Acceptance of Electronic Funds Transfers (EFT) on multiple accounts from a mortgage company – “Lockbox”
    - Annual adjustment factors for a set of neighborhoods (see Test 2.5)
  - These are examples of files that may need to be created onsite.
  - To test, review the data prior to the import of the file, have the demonstrator import the file, and then review the information after the import to ensure proper import.

## 1.2 Batch Updates (Continued)

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- Part 2: Perform the same test as Part 1, but this time with an error in the file to be imported. Verify that the system identifies the error and creates an error report which shows the record in error and the type of error.
  - Examples of errors using example files:
    - Incorrect property record number on EFT file
    - Incorrect neighborhood code
- Part 3: Reverse the batch update to restore the database to its prior condition.
  - Which batch update will be reversed may depend on the vendor and the file used for the batch updates.
  - If the batch update of Part 2 successfully imported (everything but the error), then have the demonstrator reverse the Part 2 batch update. Otherwise reverse the Part 1 update.

## 1.3 Response Time

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- 50 IAC 23 requires that the response time across sub-systems is “reasonable” based on current industry standards.
- This test requires the demonstration of the following five items:
  - Generation of a Property Record Card
  - Data Roll from Assessment to Tax and Billing
  - Creation of Certificate of Net Assessed Value (NAV)
  - Creation of Tax Duplicate
  - Creation of TS-1 Tax Comparison Statement and Tax Bill
- This is a subjective test as there are no official standards for what is reasonable for response times. Best judgement should be used.

## 1.3 Response Time (Continued)

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- These tests do not need to be demonstrated just for the purposes of this test. All of these items will be demonstrated during other tests and can be timed during these demonstrations.
- For each action required to be demonstrated for Test 1.3, time the amount of time it takes to accomplish each required action. Record time in testing notes.
- Extent of dataset to be used for each action:
  - Generation of Property Record Card – one parcel
  - Data Roll from Assessment to Tax and Billing – full dataset (record number of parcels in dataset in testing notes)
  - Creation of Certificate of Net Assessed Value – full dataset
  - Creation of Tax Duplicate – one parcel
  - Creation of TS-1 – one parcel

## 1.4 Office Integration

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- This test is one of the new additions to the testing scenarios. It may be worthwhile to call attention to this test to both the county and the vendors.
- Counties which have two different vendors between their CAMA system and their tax and billing system may have challenges with this test.
- Counties with one main vendor or with an integrated system should have an easier time with this test.
- 50 IAC 23 requires "immediate access" across sub-systems for certain pieces of information. Test 1.4 requires the demonstration of the transfer of data in five different circumstances.

## 1.4 Office Integration (Continued)

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- Required demonstrations
  - Modification of real property **property address**.
  - Deletion of personal property **owner address**.
  - Addition of mobile home property **taxpayer name and address**.
  - **Creation of** real property **record**.
  - **Inactivation of** personal property **record**.
- The first three demonstrations include the three main addresses associated with a property record:
  - Property address – where is the parcel located.
  - Owner address – Can be different from property address.
  - Taxpayer address – Can be different from owner address.

## 1.4 Office Integration (Continued)

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- For the creation of a record, unless required by the system, assessed valuations are not required to be input at this time. This record can be a placeholder until assessed values are available.
- What is “immediate access”?
  - For the purposes of this test, “immediate access” has been defined by DLGF to be within 24 hours. This data can be part of a batch process which may occur nightly.
  - Gather information regarding what type of data and how often it is transferred between systems during this test and document in your notes.

## 1.4 Office Integration (Continued)

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- Can there be human control over what data is integrated versus having the system perform it automatically?
  - If a property address is updated in the CAMA system on Monday and batch processes to the Tax and Billing system Monday evening, is the record automatically updated in the Tax and Billing system by Tuesday morning or can someone in the Auditor's office review the items which have been batch processed and accept only those that they feel are appropriate?
    - Human review of the batch process is acceptable. If the reviewer chooses not to accept the change initially, the update should be held in a special file or place until the change is accepted or rejected.
    - If changes are rejected, the originating system and users should be notified of such rejection.

## Section 2: Scenario Demonstration

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- This section requires the demonstration of specific tasks involved in property tax management. Many of the tests in this section test the integration between the individual software programs. Some tests, however, may test only one software program. These tests have been included due to their overall importance or complexity.
- Some of the tests are almost identical retests from Phase I testing. These have been included due to their overall importance or complexity.

## 2.1 Transfer of Real Property Parcel

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- The purpose of this test is to ensure the property tax system shares information across sub-systems so that users do not have to re-key data into each system.
- The test focuses on the transfer of a real property parcel from one owner to another. This could be accomplished through a sale, donation, etc.
- Part 1: Handling of exemptions, deductions and credits assigned to transferred parcel.
  - Only the appropriate exemptions, deductions and credits should be transferred.
    - Example: A parcel with a homestead deduction and mortgage deduction transferred to new owner for use as rental house (no homestead deduction).

## 2.1 Transfer of Real Property Parcel (Continued)

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- Part 1 (Continued):
  - The system should allow the user to select which exemptions, deductions and credits will be applied to the new owner.
  - Verify the accuracy of the exemptions, deductions and credits by comparing old owner record to new owner record and comparing new owner record for first affected tax year to new owner record for second affected tax year.
    - Old owner in pay 2009 to new owner in pay 2010.
    - New owner in pay 2010 to new owner in pay 2011.
- Part 2: Update associated tax and billing information only on affected tax years.
  - Once the transfer has been completed during Part 1, review the record across tax years to ensure historical information is maintained on the old owner and the new owner is shown for future years.
  - Can be done while verifying exemptions, deductions and credits.

## 2.1 Transfer of Real Property Parcel (Continued)

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- Part 3: Update transfer of real property parcel into CAMA system.
  - Ensure transfer updates correctly into the CAMA system.
  - Review the record across tax years in the CAMA system to ensure historical information is maintained on the old owner and the new owner is shown for future years.
- Part 4: Verify the correct parcel number appears in the CAMA system.

## 2.2 Homestead Deduction

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- This test demonstrates both the tracking and the calculation of the homestead deduction.
- Part 1: Access a property record that contains two structures, one that is homestead-eligible and one that is homestead-ineligible. Ensure that the AV breakdown is the same for both the CAMA and the Tax and Billing software.
  - In inputting AVs, the Assessor will designate what is homestead-eligible and what is ineligible. May be accomplished through flags within the system or other methods.
  - Within the CAMA software, review the final value breakdown. Homestead land and improvements will be designated as “Res Land” and “Res Improvement”, while non-homestead land and improvements will be “Nonres Land” and “Nonres Improvement”.
  - Access the same parcel in the Tax and Billing software and verify the same breakdown of values.

## 2.2 Homestead Deduction (Continued)

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- Part 2: Calculation of homestead deductions based on new standard homestead deduction formula and new supplemental homestead deduction from HEA 1001 (2008).
- The standard homestead deduction is the lesser of 60% of gross AV or \$45,000. Gross AV Range: \$0 - \$75,000.
- The supplemental homestead deduction is a two-part deduction **after** the application of the standard homestead deduction.
  - 35% of AV remaining after application of standard homestead deduction up to \$600,000. Gross AV Range: \$75,100 - \$645,000.
  - 25% of AV remaining after application of application of standard homestead deduction above \$600,000. Gross AV Range: \$645,100 and above.

## 2.2 Homestead Deduction (Continued)

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- Part 2 (Continued)
  - A: A homestead-eligible parcel with gross AV less than \$80,000.

Gross AV	\$ 60,000
Less: Standard Homestead Deduction (Lesser of 60% of gross AV or \$45,000)	(36,000)
	24,000
AV Net of Standard Homestead Deduction	24,000
Less: Supplemental Homestead Deduction (35% of AV Net of Standard Homestead Deduction)	(8,400)
	\$ 15,600

## 2.2 Homestead Deduction (Continued)

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- Part 2 (Continued)
  - B: A homestead-eligible parcel with gross AV between \$80,000 and \$645,000.

Gross AV	\$ 200,000
Less: Standard Homestead Deduction (Lesser of 60% of gross AV or \$45,000)	(45,000)
	155,000
Less: Supplemental Homestead Deduction (35% of AV Net of Standard Homestead Deduction)	(54,250)
	\$ 100,750

## 2.2 Homestead Deduction (Continued)

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- Part 2 (Continued)
  - C: A homestead-eligible parcel with gross AV greater than \$645,100.

Gross AV	\$ 1,000,000
Less: Standard Homestead Deduction (Lesser of 60% of gross AV or \$45,000)	(45,000)
AV Net of Standard Homestead Deduction	955,000
Less: Supplemental Homestead Deduction (35% of AV Net of Standard Homestead Deduction up to \$600,000)	(210,000)
Less: Supplemental Homestead Deduction (25% of AV Net of Standard Homestead Deduction above \$600,000)	(88,750)
Net Assessed Value	\$ 656,250

## 2.2 Homestead Deduction (Continued)

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- Part 2 (Continued)
  - D: A parcel containing a mixture of homestead and non-homestead eligible assessed value.
    - Ensure the calculation of the standard and supplemental homestead deductions is based only on the homestead-eligible assessed value.

## 2.3 Property Split

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- The purpose of this test is similar to Test 2.1 – ensure the property tax system shares information across sub-systems so that users do not have to re-key data into each system.
- Property splits can be made in two ways:
  - A portion of the original parcel can be split off while the original parcel is maintained.
  - The original parcel can be inactivated and two (or more) new parcel records are created.
- For Test 2.3, use the second method, where the original record is replaced with two new records.

## 2.3 Property Split (Continued)

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- After the demonstrator performs the split, verify the following information in both the CAMA and Tax and Billing software (may need to allow for time for data to be rolled or transferred between sub-systems)
  - The new parcel records exist in the software.
  - The newly assigned parcel numbers correspond with the overall parcel numbering system used in the county (State-approved parcel numbering system).
  - The newly created parcel records are active and able to be utilized.
    - Make a change to the new record.
  - Search for original parcel record in future years to verify its inactivation.
- Other checks (not specifically identified in the testing scenarios):
  - Search for original parcel record in historical years to verify its history is maintained.
  - Search for newly created parcels in historical years to verify correct application of the split.

## 2.4 Property Combination

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- Test 2.4 is essentially the same test as Test 2.3, but is based on combining parcels rather than splitting parcels.
- Have the demonstrator combine two parcels into one newly created parcel.
- Verify the following information in both the CAMA and Tax and Billing software.
  - The new parcel record exists in the software.
  - The newly assigned parcel number corresponds with the overall parcel numbering system used in the county.
  - The newly created parcel record is active and able to be utilized.
  - Search for original parcel records in future years to verify their inactivation.
- Other checks (not specifically identified in the testing scenarios):
  - Search for original parcel records in historical years to verify their history is maintained.
  - Search for newly created parcel in historical years to verify correct application of the combination.

## 2.5 Application of Annual Adjustment Factors

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- Test 2.5 demonstrates the CAMA software program's ability to apply annual adjustment factors to neighborhoods based on the outcome of the annual ratio studies.
- Part 1: Have the demonstrator select three different neighborhoods and apply different adjustment factors to the neighborhoods.
  - Verify that after application of the adjustment factor, the AVs for parcels within the neighborhood are appropriately adjusted by the applied factor.
- Part 2: Import a file containing annual adjustment factors and have the factors appropriately applied to the neighborhoods.
  - This test and the file format is still being reviewed and prepared.
  - More detail will follow as this information is available.

## 2.6 Economic Revitalization Area Deduction

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- Tax and billing system only.
- Repeat test from Phase I.
- Purpose of this test is to verify the accuracy of application of ERA deductions (tax abatements) and the ability to maintain such information.
- Tax abatements can be approved for anywhere from 1 to 10 years with the abatement percentage decreasing each year until the abatement no longer exists and the property record is fully assessed.
  - IC 6-1.1-12.1-4 (Real Property)
  - IC 6-1.1.12.1-4.5 Version b (Personal Property)

## 2.6 Economic Revitalization Area Deduction (Continued)

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- Have the demonstrator apply an abatement to a parcel with multiple improvements in the current tax year. Verify that the following information is able to be input into the system.
  - Parcel receiving deduction.
  - Number of years the parcel is to receive the deduction.
  - Percentage of the deduction for each year the parcel is to receive the deduction.
    - Ask to see the source table which corresponds the number of years of abatement to the abatement percentage.
  - The AV eligible for the deduction.
  - The specific improvement to receive the deduction.
- After data is rolled into the next tax year, come back to this parcel to verify that correct abatement percentage is applied.

## 2.7 Calculation of Property Tax Rates

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- Tax and billing system only.
- Repeat test from Phase I.
- Part A: Demonstrator will show how the initial manual data entry of tax rates is accomplished and will generate a sample tax rate chart.
  - In reviewing the tax rate chart, verify proper application of tax rates for individual funds, total taxing unit rate and total taxing district rate by spot-checking. Check for mathematical errors.
- Part B: Demonstrator will overwrite the manually-entered tax rates by importing the CERTDRATES file.
  - Due to the potential for logistical problems, the DLGF has indicated that Part B of Test 2.7 will not be required for Phase II certification. The functionality was demonstrated in Phase I.

## 2.7 Calculation of Property Tax Rates (Continued)

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- Part C: Software should be able to aggregate individual taxing unit fund rates into one taxing unit rate.
  - Verify that software correctly aggregates individual funds into one taxing unit rate.
  - Example: Civil City

General Fund	\$ 0.6423
Parks and Recreation	0.0083
Debt Service	0.0345
Police Pension	0.2512
Fire Pension	0.1789
Cumulative Capital Development	0.0045
Total Civil City Taxing Unit	\$ 1.1197

## 2.7 Calculation of Property Tax Rates (Continued)

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- Part D: Software should be able to aggregate individual taxing unit rates rates into one taxing district rate.
  - Verify that software correctly aggregates individual taxing unit rates into one taxing district rate.
  - Example: City of Smithville – Ross Township – Carter School Corporation

Trial County	\$ 0.2456
Ross Township	0.0009
Carter School Corporation	0.7543
Smithville Public Library	0.0168
City of Smithville	0.5505
Trial Solid Waste Management District	0.0012
Total Taxing District	\$ 1.5693

## 2.8 Tax Increment Revenues

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- Repeat test from Phase I.
  - This test was one of the major tests from Phase I which required significant changes in most tax and billing software programs.
- 50 IAC 23 does not require many of these tests to be done automatically within the system, though automatic is preferable to manual. Manual calculations and flagging leaves room for error. Document whether testing scenario is performed automatically by the software program or if it is done manually.
- Part 1: Demonstrator should flag several real property parcels as being located within a TIF Allocation Area and the software program should be able to run a report of TIF parcels.
  - Document the parcels as being identified as within the TIF.
  - Review report for inclusion of all parcels.
  - Parcels should be flagged in both the CAMA and Tax and Billing software programs. Report needs to only be run in the Tax and Billing software.

## 2.8 Tax Incremental Revenues (Continued)

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- Part 2: Demonstrator should split one of the real property parcels included in the TIF allocation area. New parcel(s) should be flagged as being within the TIF allocation area.
  - Verify that new parcel is flagged as being within the TIF allocation area.
- Part 3: Demonstrator should flag several personal property parcels as being located within a TIF Allocation Area and the software program should be able to run a report of TIF parcels.
  - Document the parcels as being identified as within the TIF.
  - Review report for inclusion of all parcels.
  - Parcels should be flagged in both the CAMA or Personal Property and Tax and Billing software programs. Report needs to only be run in the Tax and Billing software.

## 2.8 Tax Incremental Revenues (Continued)

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- Part 4: Demonstrator should set up or utilize two TIF allocation areas. The software program must have a method for designating which TIF a parcel is located in and must be able to run an accurate report of the TIF parcels.
  - Document in which TIF each parcel is located.
  - Review report for proper inclusion of all parcels into correct TIF.
- Part 5: Demonstrator should establish a base AV for TIF parcels, then go into the next tax year, change the overall AV and demonstrate that the base value has not changed.
  - The whole net AV of the parcels in the base year should be recorded as the base value.
  - Document the base values established and the changes in AVs in the next tax year.
  - Use at least two parcels: one which has a net AV increase from the base year to the next year and one which has a net AV decrease.
  - Verify that the base value does not initially change solely because of change in net AV.

## 2.8 Tax Increment Revenues (Continued)

- Part 5 Continued:
  - While not specifically called for in the testing scenario, have the demonstrator show that the software is correctly calculating tax increment prior to reallocation.

Parcel	Base Year NAV	Current Year NAV	Incremental AV
TIF Parcel 1	\$ 100,000	\$ 200,000	\$ 100,000
TIF Parcel 2	100,000	50,000	(50,000)

## 2.8 Tax Incremental Revenues (Continued)

- Part 6: Demonstrator should show how base values can be adjusted if necessary and show that calculation of increment utilizes the adjusted base AV.
  - Document the adjusted base values.
  - Use at least two parcels: one which has a net AV increase from the adjusted base value to the next year and one which has a net AV decrease.
  - Verify that the tax increment calculates based on the adjusted base value.

Parcel	Base Year NAV	Adjusted Base Year NAV	Current Year NAV	Incremental AV
TIF Parcel 1	\$ 100,000	\$ 75,000	\$ 200,000	\$ 125,000
TIF Parcel 2	100,000	75,000	50,000	(25,000)

## 2.8 Tax Increment Revenues (Continued)

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- Part 7: This test is the first step in the initial reallocation process and deals specifically with the handling of residential parcels.
  - Residential parcels are handled in different ways depending on the type and timing of the establishment of the TIF Allocation Area.
    - Economic development areas established prior to July 1, 1995 and redevelopment areas established prior to July 1, 1997 – residential parcels are treated the same as all other parcels
    - Economic development areas established after July 1, 1995 and redevelopment areas established after July 1, 1997 – positive tax increment on residential parcels is not captured while negative tax increment on residential parcels is captured
    - Housing TIFs – not covered in these testing scenarios

## 2.8 Tax Increment Revenues (Continued)

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- Part 7 Continued:
  - Testing demonstration should assume an economic development area established after July 1, 1995 or a redevelopment area established after July 1, 1997.
    - First, ask demonstrator to show how this designation would be made. There should be a flag or a programming component which can identify how residential parcels are handled within a particular TIF.
    - Next, have the demonstrator set base AVs in the base year for a number of residential and non-residential parcels. Then, go into a future tax year and change the NAV so that some parcels have an NAV greater than the base AV and some have an NAV less than the base AV.
    - Have demonstrator perform the reallocation necessary to adjust the base values of the residential parcels as appropriate.

## 2.8 Tax Incremental Revenues (Continued)

- Part 7 Continued:

Parcel	Base AV	Current Year AV	Initial Incremental AV	Adjusted Base AV	Adjusted Incremental AV
Non-Residential TIF Parcel 1	\$ 100,000	\$ 200,000	\$ 100,000	\$ 100,000	\$ 100,000
Non-Residential TIF Parcel 2	100,000	50,000	(50,000)	100,000	(50,000)
Residential TIF Parcel 1	100,000	200,000	100,000	200,000	0
Residential TIF Parcel 2	100,000	50,000	(50,000)	100,000	(50,000)

## 2.8 Tax Incremental Revenues (Continued)

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- Part 8: This test is the second part of the initial reallocation process and applies to all parcels.
  - Some vendors may do the first and second parts of the initial reallocation process simultaneously. This is acceptable but makes verification more difficult.
  - This step, also known as the base adjustment routine, compares the parcels with negative incremental AV to the parcels with positive incremental AV and reallocates the incremental AV on a pro rata basis.

## 2.8 Tax Incremental Revenues (Continued)

- Part 8 Continued:

Parcel	Base AV	Current Year AV	Initial Incremental AV	Adjusted Base AV	Adjusted Incremental AV
TIF Parcel 1	\$ 100,000	\$ 200,000	\$ 100,000	\$ 133,333	\$ 66,667
TIF Parcel 2	100,000	150,000	50,000	116,667	33,333
TIF Parcel 3	100,000	50,000	(50,000)	50,000	0
TIF Parcel 4	100,000	100,000	0	100,000	0
Total			\$ 100,000		\$ 100,000

## 2.8 Tax Incremental Revenues (Continued)

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- Part 9: Demonstrate the software program is able to accept a base adjustment factor and adjust base AVs appropriately.
  - The functionality demonstrated in this test will be primarily used after the completion of TIF Neutralization Worksheets, a process through which the base value of a TIF Allocation Area is adjusted to account for the impact of trending or reassessment.
  - For each TIF Allocation Area, the system should allow input of a separate base allocation factor and then should adjust all base AVs by this factor.
  - Verify the factor is applied only to the identified TIF and that the calculation of base AVs is accurate.

## 2.8 Tax Incremental Revenues (Continued)

- Part 9 Continued:

Parcel	Base AV	Base Adjustment Factor	Adjusted Base AV
TIF Parcel 1 – Allocation Area A	\$ 100,000	1.07	\$ 107,000
TIF Parcel 2 - Allocation Area A	200,000	1.07	214,000
TIF Parcel 3 - Allocation Area B	100,000	.96	96,000

## 2.8 Tax Incremental Revenues (Continued)

- Part 10: The demonstrator should show how the incremental AV for the TIF Allocation Area overall is calculated.
  - Total current NAV minus total adjusted base AV
  - Adjusted base AV is the base value after any manual adjustments (Part 6), residential adjustments (Part 7), base adjustment routine (Part 8) and application of base adjustment factor (Part 9).

Parcel	Adjusted Base AV	Current Year NAV	Incremental AV
TIF Parcel 1	\$ 100,000	\$ 150,000	\$ 50,000
TIF Parcel 2	150,000	150,000	0
TIF Parcel 3	50,000	70,000	20,000
TIF Parcel 4	25,000	30,000	5,000
<b>Total</b>	<b>\$ 325,000</b>	<b>\$ 400,000</b>	<b>\$ 75,000</b>

## 2.8 Tax Incremental Revenues (Continued)

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- Part 11: Tests the correlation between the Incremental AV and the Certificate of NAV.
  - TIF Columns on Certificate of NAV:
    - Column F: Minus Assessed Value of TIF Other PP, excluding Business PP
    - Column G: Minus Captured Net Assessed Value
    - Column H: Minus Assessed Value of TIF Business Personal Property Only



## 2.8 Tax Incremental Revenues (Continued)

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- Part 11 Continued:
  - Part A: If Incremental NAV of the TIF Allocation Area as a whole (calculated in Part 10) is negative, no amount of Incremental AV is carried over to the Certificate of NAV.
    - Columns F, G and H should all be blank or 0 for taxing districts in which this allocation area is located, assuming no other TIFs in these taxing districts.
  - Part B: If Increment NAV in every Taxing District in which the Allocation Area is located is positive, the positive amount is carried forward to the Certificate of NAV separately for each taxing district.
    - Columns F, G and H would have values for the appropriate taxing districts.

## 2.8 Tax Incremental Revenues (Continued)

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- Part 11 Continued:
  - Part C: If more than one TIF Allocation Area with positive incremental AV is contained within a taxing district, the positive incremental AV for each TIF Allocation Area is added together for the Certificate of NAV.

TIF Allocation Area within Taxing District A	Incremental AV
TIF #1	\$ 200,000
TIF #2	500,000

- \$700,000 would be transferred to the Certificate of NAV.

## 2.8 Tax Incremental Revenues (Continued)

- Part 11 Continued:
  - Part C: If a taxing district contains all or part of more than one TIF Allocation Area and one or more of the TIF Allocations has negative incremental AV, the negative incremental AV is not combined with the positive incremental AV for the purposes of the Certificate of NAV.

TIF Allocation Area within Taxing District A	Incremental AV
TIF #1	\$ (200,000)
TIF #2	500,000

- \$ 500,000 would be transferred to the Certificate of NAV.

## 2.8 Tax Incremental Revenues (Continued)

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- Part 12: Demonstrate that the software can combine base AV and incremental AV to produce one tax bill per type of property (real or personal) for a parcel or record.
  - Taxpayer pays bill on the entire amount of net AV. Base AV and incremental AV only impact how the money is distributed, not paid.
  - Have the demonstrator produce a tax bill for a real property record and a personal property record within a TIF Allocation Area and verify that only one tax bill is produced.

## 2.8 Tax Incremental Revenues (Continued)

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- Part 13: Demonstrate that the software is able to track payments received on TIF parcels and records and distribute the amount accurately.
  - Portion of the payment allocable to the base AV goes to the underlying taxing districts.
  - Portion of the payment allocable to the incremental AV goes to the Redevelopment Commission.

## 2.8 Tax Increment Revenues (Continued)

- Part 13 Continued:
  - Receipt of tax payments.

Parcel	Current Year NAV	Tax Rate	Tax Payment
TIF Parcel 1	\$ 150,000	\$ 1.5693	\$ 2,354
TIF Parcel 2	150,000	1.5693	2,354
TIF Parcel 3	70,000	1.5693	1,099
TIF Parcel 4	30,000	1.5693	471
Total			\$ 6,278

## 2.8 Tax Incremental Revenues (Continued)

- Part 13 Continued:
  - Distribution to underlying taxing units.

Parcel	Base AV	Tax Rate	Tax Distribution
TIF Parcel 1	\$ 100,000	\$ 1.5693	\$ 1,569
TIF Parcel 2	150,000	1.5693	2,354
TIF Parcel 3	50,000	1.5693	785
TIF Parcel 4	25,000	1.5693	392
Total			\$ 5,100

## 2.8 Tax Incremental Revenues (Continued)

- Part 13 Continued:
  - Distribution to Redevelopment Commission.

Parcel	Incremental AV	Tax Rate	Tax Distribution
TIF Parcel 1	\$ 50,000	\$ 1.5693	\$ 785
TIF Parcel 2	0	1.5693	0
TIF Parcel 3	20,000	1.5693	314
TIF Parcel 4	5,000	1.5693	79
Total			\$ 1,178

## 2.9, 2.10 and 2.11 Adjustment of AV

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- 2.9 Adjustment of Real Property AV Due to Correction of Error
- 2.10 Adjustment of Personal Property AV Due to Appeal Determination
- 2.11 Adjustment of AV Due to Additional Assessment
  
- The three tests above are all similar and will likely be accomplished through the same module within the system.
- All three test various versions of changes to assessment in the current year after the calculation of taxes.
  - Correction of Error and Appeal Determination will normally reduce the current year AV (though Appeal Determination could result in higher AV).
    - Main difference is the reason code used for the change.
  - Additional Assessment will increase the AV.

## 2.9, 2.10 and 2.11 Adjustment of AV (Continued)

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- The demonstrator should show how the AV will be adjusted and the process that will be taken to recalculate taxes.
  - If using a parcel which has already had a payment accepted on it, the recalculation of taxes may result in a refund.
- Verify that the change in taxes is appropriate based on the change in assessed value.
- Verify that the change in AV is recorded in both the CAMA and Tax and Billing software packages.
- Vendors have indicated that the description included in the testing scenarios, in which the Tax and Billing software releases the corrected AV to the CAMA system, is not an accurate portrayal of the real-world processes.
  - Allow the demonstrators to show how it would be done in the actual county offices, regardless of what the testing scenarios indicate.

## Section 3: Walkthrough

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- Section 3 tests the entire process of property tax management from the initial input of data to the final distribution of taxes.
- While Section 3 includes two separate tests – one for real property and one for personal property, the recommendation is that the two tests are performed simultaneously as the majority of the steps are the same.
- Throughout the walkthrough, the demonstrator should produce all required reports. Verify the accuracy of the data on these reports.

## Section 3: Walkthrough (Continued)

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- County Assessor enters and certifies Gross Assessed Value to County Auditor.
  - For the real property parcel, use a residential parcel with a portion of the AV being homestead-eligible and a portion being homestead-ineligible.
  - The assessed value information from the Assessor should include information on any abatements or investment deductions.
  - For the personal property record, include a personal property investment deduction.
- County Auditor applies deductions and exemptions.
  - For residential property parcel, have the demonstrator apply the standard homestead deduction, supplemental homestead deduction and mortgage deduction.
  - For personal property record, have the demonstrator apply investment deduction.

## Section 3: Walkthrough (Continued)

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- County Auditor prepares Certificate of NAV.
  - Verify the Certificate of NAV is prepared in the proper format.
- Lock real property record and personal property assessed valuation data.
  - Document how assessed valuation data is locked.
- County Auditor imports budget order with final tax rates as provided by DLGF.
  - Same functionality required by Test 2.7 Part B.
- Calculate property tax and create Tax Duplicate.
  - See Auditor's Manual from State Board of Accounts for format of Tax Duplicate.
  - Verify all credits, including circuit breaker credits, are being correctly calculated and applied.

# Section 3: Walkthrough (Continued)

(COLUMN HEADINGS FOR LEFT SIDE OF COUNTY FORM NO. 9)

Prescribed by State Board of Accounts

Line Number	Duplicate Number	Name of Taxpayer	Description of Real Estate	Value of Land or Personal Property	Value of Improvements	Exemptions and Deductions		Net Value of Taxable Property	Gross Tax For Each Installment	State Property Tax Replacement Credit	Net Tax For Each Installment
						Kind	Amount				
						A	B				

Statement Processing Charge	Amount Due For Each Installment	Late Assessment Penalty		Total Amount of Current Tax Including Penalties (Double Col. 9 Plus Cols. 10&11)	Delinquent From Former Years			Total Amount of Tax Including Delinquencies, Interest and Penalties (Cols. 12, 13, and 14)	10% Interest on Taxes Added After Due Date	(Binding Margin)
		First Installment	Second Installment		Old Duplicate Number	Delinquent Tax From Col. 32	Penalties and Interest From Col. 33			
		8	9		10	11	12			

# Section 3: Walkthrough (Continued)

(COLUMN HEADINGS FOR RIGHT SIDE OF COUNTY FORM NO. 9)

AUDITOR'S CERTIFICATES OF ERROR		TREASURER'S CASH STATEMENT MAY, 19__ COLLECTION		PENALTIES ADDED AFTER MAY SETTLEMENT		CERTIFIED TO CLERK OF CIRCUIT COURT		TREASURER'S CASH STATEMENT NOVEMBER, 19__ COLLECTION		Current Second Installment Tax Delinquent	Current First Installment Tax Delinquent
Certificate Number	Amount	Date of Payment	Total Cash on Account of Taxes, Penalties, and Interest	10% Penalty on Current First Installment Delinquent	10% Penalty on Former Years' Taxes Delinquent	Date	Delinquent Tax Penalties and Interest From Columns 13, 14, and 18	Date	Total Cash on Account of Taxes, Penalties, and Interest		
F	17	G	18	19	20	H	21	I	22	23	24

(Binding Margin)

SAMPLE

DELINQUENT AT NOVEMBER 19__ SETTLEMENT					PENALTIES ADDED AFTER NOVEMBER SETTLEMENT		CARRIED TO NEW DUPLICATE		New Duplicate No. To Which Unpaid Tax, Penalties and Interest Are Carried	Line Number
10% Penalty on Current First Installment Delinquent (Bal. Unpaid Column 19)	10% Penalty on Former Years' Taxes Delinquent (Bal. Unpaid Column 20)	Delinquent Tax Unpaid From Column 13	Penalties and Interest Unpaid From Columns 10, 11, 14, & 18	Total Delinquency at November Settlement	10% Penalty on Second Installment Delinquent Column 23	10% Penalty on Delinquent Tax Unpaid Column 27	Total Delinquent Tax (Columns 23, 24, and 27)	Total Penalties and Interest (Columns 25, 26, 28, 30, and 31)		
25	26	27	28	29	30	31	32	33	J	

## Section 3: Walkthrough (Continued)

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- Create Abstract.
  - See Auditor of State 2009 Spring Abstract Manual for more information on what should be included in the Abstract.
  - Tax and Billing Systems produce Parts 1 and 5 of the Abstract. The remainder of the Abstract is hand-input into a State-prescribed Excel form.
  - Verify proper format and data inclusion in the Abstract.
- Generate TAB Tax Rate Chart for Newspaper.
  - Same functionality tested in Test 2.7, Part A.
  - Verify data inclusion and mathematical calculations.
- Abstract transmitted to Auditor of State.
  - No actions required.
- Auditor of State approves Abstract.
  - No actions required.

## Section 3: Walkthrough (Continued)

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- Generate and transmit Tax Duplicate to County Treasurer.
  - Reviewed earlier. No action required.
- County Treasurer prepares tax bills and statement of taxes and assessments.
  - For the selected real property parcel and personal property record, review TS-1 prepared by system to verify accuracy of mathematical calculations and data.
- County Treasurer collects payments.
  - For the selected real property parcel and personal property record, have demonstrator record full payments for taxes.
- County Treasurer certifies collections and locks down collection period, then opens up next collection period.

## Section 3: Walkthrough (Continued)

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- County Auditor prepares settlement reports and transmits reports to State Auditor.
  - See Auditor's Manual for more description on settlement reports.
  - Verify accuracy of mathematical calculations based on payments entered.

# Section 3: Walkthrough (Continued)

Form Approved by State Board of Accountants

Apportionment of Taxes Collected \_\_\_\_\_

township or corporation

County Form 100 (Revised 1/2005)

SECTION A					SECTION B				
JUNE SETTLEMENT					DECEMBER SETTLEMENT				
	NET TAX PER. & INT.	STATE TAX REPL. CREDIT	HOMESTEAD CREDITS	TOTAL	TOTAL PROPERTY TAX	LICENSE EXCISE TAX	TOTAL PROPERTY TAX	LICENSE EXCISE TAX	TOTAL
1					1				
2					2				
3					3				
4					4				
5					5				
6					6				
7					7				
8					8				
9					9				
10					10				
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54					54				

NOTAL SEER OF FORM 30 PROBABLY 14 PHOTOS

**FACTORS FOR DISTRIBUTION**

(Collections for Apportionment) Divided by Total Tax Rates \_\_\_\_\_

## Section 3: Walkthrough (Continued)

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- State Auditor approves settlement.
  - No action required.
- County Auditor distributes the tax money and issues Certificate of Tax Distribution (Form 22) to taxing units.
  - See Auditor's Manual for more description on tax distribution report.
  - Verify accuracy of mathematical calculations based on payments entered.

# Section 3: Walkthrough (Continued)

Prescribed by State Board of Accounts

County Form No. 22 (Rev. 1985)

## COUNTY AUDITOR'S CERTIFICATE OF TAX DISTRIBUTION

PREPARE FOUR COPIES  
 1. Taxing Unit  
 2. County Treasurer  
 3. County Auditor  
 4. SBTC

I hereby certify that I have this day issued Warrant No. \_\_\_\_\_ Indiana, \_\_\_\_\_, 19\_\_  
 on the Treasurer of \_\_\_\_\_ County,  
 Indiana, in favor of \_\_\_\_\_  
 who is \_\_\_\_\_ of \_\_\_\_\_, in  
 the sum of \_\_\_\_\_ Dollars on account of taxes due said government unit as follows:

588 ID	YEAR	CO	KEY	TAXES				DEDUCTIONS			Net Total Distributed	
				General Property	License Excoise	Bank, Building and Loan		Total	Advances	Examination of Records		
NAME OF FUND												
				GENERAL								
				TOWNSHIP GENERAL								
				FIRE FIGHTING								
				POOR RELIEF								
				SCHOOL GENERAL								
				DEBT SERVICE								
				CUMULATIVE BUILDING								
				TRANSPORTATION								
				PUBLIC LIBRARY								
589	TOTALS											

SAMPLE

\_\_\_\_\_ County Auditor

## Section 4: Reporting and Archiving

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## 4.1 User-Defined Reporting of Errors and Inconsistencies Across Sub-Systems

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- A great deal of reporting functionality was tested during Phase I. For the purposes of Phase II, the DLGF has decided to focus on one specific type of reporting – user-defined.
- The purpose of Test 4.1 is to show that reports can be shown across sub-systems.
- The demonstrator should pull a report which identified discrepancies between the CAMA system and the Tax and Billing system.
  - Example: CAMA codes a parcel as tax-exempt, while Tax and Billing shows the parcel as taxable.
- Verify that a report is possible that can contain results from all software programs included in the property tax management system.

## 4.2 Data Archiving

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- This test demonstrates the ability of the entire property tax management system to archive all data and then recover the data if necessary.
- While this test is the last test in the scenarios, you may want to start with the first part of this test at the very beginning of the testing scenarios.
  - Have the demonstrator archive the testing dataset prior to beginning the testing. You should be onsite to see how this process is accomplished.
    - Archive should occur in all software programs included in the property tax management system.
- After the testing is completed, have the demonstrator restore the archive of the testing dataset.
  - Verify that by restoring the archive, all changes made during testing are erased.

## 4.2 Data Archiving (Continued)

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- Discuss with the county and vendors and document what the procedures are for back-up and archiving.

## Contact Information

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