



Department of Local Government Finance

Certification of Net Assessed Values

Anna Culy & Sam VanderVeen

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Disclaimer

- This presentation and other Department of Local Government Finance (“Department”) materials are not a substitute for the law. The following is not legal or financial advice, just an informative presentation. The Indiana Code always governs.

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Introductions



Anna Culy
Budget Director
aculy@dlgf.in.gov



Sam VanderVeen
Budget Specialist
svanderveen@dlgf.in.gov

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Agenda

- Introduction
- Annexation Ordinance & Pass-Through Reporting
- TIF Neutralization Process
- CNAV Preliminary Review & Reports – Auditors
- CNAV Submission Review - Department
- Common Mistakes and How to Avoid Them
- Group Discussion

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Introduction

- What is CNAV?
 - Certificate of Net Assessed Values
 - An essential part of the creation of tax rates and the collection of tax dollars needed to fund local government and services to taxpayers.
 - Essentially, the CNAV is the snapshot of the tax base at that point of time.

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Introduction (con't)

- Important things to know and remember about CNAV:
 - The base values used change each year.
 - Several factors can influence the CNAV and tax base.
 - Legislative changes.
 - Market Values and/or trending.
 - Gaining or losing taxpayers.
 - Abatements/ERAs granted by various fiscal bodies in a county.
 - Creation of new TIF allocation areas.

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Precursors to Annual Assessed Value Certification

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Precursor To TIF and CNAV

- Annexation Information Data Collection:
 - Two periods of information request will be requested each year per Indiana Code.
 - First – Collection and confirmation of all ordinances submitted to auditors for the ensuing assessment period and CNAV.
 - Second – Collection of Net Assessed Values involved in each annexation that occurred for the applicable CNAV period.

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Precursor To TIF and CNAV (con't)

- TIF Pass-through letters from the Redevelopment Commissions (RDCs):
 - These will identify if any excess AV will be passed through during the CNAV to underlying units.
 - Due to the auditor before June 15 each year.
 - The auditor must then submit to the Department via Gateway per IC 36-7-14-39(b)(5).
 - These are important documents to collect and share with the Department.

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TIF Neutralization Process

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TIF Neutralization Process

- TIF neutralization process is a prerequisite step for CNAV.
- The new online TIF Management Application in Gateway was used for the first time for TIF Neutralizations ("TN") applicable to the pay-2025 CNAV.
- The TIF Neutralization Worksheets for each allocation area ("AA") in the county must be completed before a county may certify net assessed values.
- The CNAV application will not be available to a county until TN reports are filed and approved.

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TIF Neutralization Process

- County auditor prepares or has prepared a worksheet for each allocation area with Real Property ("RP") AV.
- Personal Property ("PP") AV should not be included in the calculation of the TN.
- Department will review and approve the submitted worksheets.
- County auditor will apply the base neutralization factor calculated on each worksheet to the AA within the tax and billing software.

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TIF Neutralization Process (cont.)

Line 1

• **2023 Pay 2024 Base Assessed Value of Allocation Area**

- Value after Pay 2023 neutralization factor was applied.
- Include any adjustments from Pay 2023 CNAV to Pay 2023 tax billing (appeal adjustments, filing of deductions).
- TIF pass-through, if any existed, should not be included in the calculation of the base.

Line 2

• **2023 Pay 2024 Incremental Assessed Value of Allocation Area**

- Incremental AV is the amount of AV from the parcels included in the AA that was eligible to be captured by the redevelopment commission.
- Value after Pay 2023 neutralization factor was applied.
- Include any adjustments from Pay 2023 CNAV to Pay 2023 tax billing (appeal adjustments, filing of deductions).

Line 3

• **2023 Pay 2024 Net Assessed Value of Allocation Area**

- Real AV only.
- Calculated field. The sum of Line 1 (23-Pay-24 base AV of AA) and Line 2 (23-Pay-24 incremental AV of AA).

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TIF Neutralization Process (cont.)

Line 4

• **2024 Pay 2025 Net Assessed Value of Allocation Area**

- Current NAV of AA.
- Include any adjustments to NAV due to annual adjustment or reassessment.
- Include the application of any deductions and exemptions.

Line 5

• **2024 Pay 2025 Net Assessed Value Growth in Allocation Area Due to New Construction or Change in Status**

- Isolate the effect of annual adjustment or reassessment.
- Changes in AV associated with actual construction must be removed from consideration.
- Identify new construction that occurred in the AA since the January 1 assessment date (sources: local officials, building permits, property record cards).
- Identify parcels that have a change in property tax status (tax-exempt to taxable, change in land use).

Line 6

• **2024 Pay 2025 Net Assessed Value Decrease in Allocation Area Due to Demolition or Change in Status**

- Isolate the effect of annual adjustment or reassessment.
- Changes in AV associated with demolition must be added back into the AA.
- Identify the demolition that occurred in the AA since the January 1 assessment date.
- Identify parcels that have a change in property tax status (taxable to tax-exempt, change in land use).

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TIF Neutralization Process (cont.)

Line 7

- **2024 Pay 2025 Net Assessed Value Growth as a Result of Abatement Roll-Off in Allocation Area**
 - Isolate the effect of annual adjustment or reassessment.
 - Remove increases in AV associated with abatement roll-off.
 - Identify abatements existing within AA and compute AV added to AA from Pay 2024 due to abatement roll-off.

Line 8

- **Estimated Assessed Value Decrease Due to 2024 Pay 2025 Appeals Settlement in Allocation Area**
 - This line represents an allowance for appeals that will be settled between Pay 2025 CNAV and tax billing.
 - Consult with the county assessor to determine the amount of appeals anticipated to be settled.
 - Remember, CNAV will not reflect the value under appeal.

Line 9

- **2024 Pay 2025 Adjusted Net Assessed Value of Allocation Area**
 - Calculated field. Add Line 4 and Line 6, then subtract Lines 5, 7, 8.
 - Value will provide a comparable tax base in the AA for Pay 2024.

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TIF Neutralization Process (cont.)

Line 10

- **2024 Pay 2025 Neutralization Factor**
 - Calculated field. Divide Line 9 by Line 3, rounded to five decimal places.
 - The factor will be applied to the tax and billing system.

Line 11

- **2024 Pay 2025 Adjusted Base Assessed Value of Allocation Area**
 - Calculated field. Multiply Line 1 (23-Pay-24 base AV) and Line 10 (24-Pay-25 neutralization factor).
 - Estimate of the base AV in the AA for Pay 2025.

Line 12

- **2024 Pay 2025 Incremental Assessed Value of Allocation Area**
 - Calculated field. Line 4 (24-Pay-25 NAV of AA) Less Line 11 (24-Pay-25 Adjusted Base AV of AA).

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TIF Neutralization Process (cont.)

- August 1 – last day for the county auditor to submit TIF neutralization forms to the Department for review and approval.
- To timely submit the CNAV, which is also due August 1, it is advised to submit TN ahead of the deadline.

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CNAV Preliminary Review & Reports - Auditor

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Auditor's Preliminary Review to CNAV

- Deduction Check (Homesteads, Over 65, etc.)
- Verify Exemptions with Assessor
- Verify Abatements & ERAs
- State Utilities & Railroad AV (IMPA AV)
- Verify all Annexations
- Verify Linkages in Tax Billing Software
- Verify TIF Excess AV ("TIF Pass-through")

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CNAV Reports on Gateway

- Once the county auditor certifies net assessed values ("CNAV") to the State through Gateway, the Department will automatically publish the values for all units to review.
- Two reports can be used to review the CNAVs:
 - CNAV - District Report (Step 1)
 - CNAV - Detail by District and Fund Report (Step 3)

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CNAV Reports on Gateway (cont.)

- CNAV - District Report (Step 1)
- The District Report is the more comprehensive of the two reports.
- The report contains a summary by taxing district of RP, PP, TIF increment AV, and optional AV withholding.
- A taxing unit may span across multiple taxing districts. To build a unit's tax base, the unit may need to sum and review multiple taxing districts.

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CNAV Reports on Gateway (cont.)

- CNAV by Detail by District and Fund (Step 3)
- The report contains the total taxing district AV presented at the unit and the fund level.
- The "Adjusted Net AV" links the two reports.
- Where the "CNAV by District Report" focuses on the horizontal pieces of the Adjusted Net AV, the "CNAV by Detail by District and Fund" shows the vertical relationship between the taxing districts at the taxing unit level.

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CNAV Reports on Gateway (cont.)

- The CNAV reports become public immediately upon CNAV submission by the county auditor.
- Pursuant to IC 6-1.1-17-1, the county auditor may amend the CNAV.
 - By the later of Sept. 1 or fifteen (15) days.
 - after the original submission or
 - when the Department notifies the county auditor of an error in the original CNAV submission.
 - added by HEA 1427-2025, section 41, effective July 1, 2025.
 - County auditor must hold a public hearing and provide notice of the hearing under IC 5-3-1.
 - The hearing provides for public comment on the proposed amendment.

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CNAV Submission Review - Department

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CNAV Submission Review

- The annual assessment process means that the tax base changes every year.
- While the Gross and Net AV figures are calculated locally and applied locally, the Department assists the county during the certification processes.
- During the Gateway submission by the county auditor, the Department will request additional information from the county auditor if certain scenarios appear in the data.

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CNAV Submission Review (cont.)

- During Certification, the county auditor must provide additional feedback if a taxing district is reported with:
 - +/- 10% Change in Real Property
 - +/- 10% Change in Personal Property
 - +/- 10% Change in TIF Real Property
 - +/- 10% Change in TIF Personal Property
 - +/- 10% Change in TIF Pass-through
 - +/- 10% Change in Gross AV (Conservancies Only)
- These are the thresholds that create the need for the Step 5 answers.

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CNAV Submission Review (cont.)

- Other changes reviewed outside the CNAV Application:
 - TIF increment reported during Neutralization compared with increment reported on CNAV.
 - Linkages in Step 2 and 3 between districts and units, units and funds.
 - “Bucket Changes” (i.e., changes to the 1%, 2%, 3%)
 - State Utility and Rail values on CNAV with those reported by the State.
 - Conservancy connections.

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CNAV Submission Review (cont.)

- Annexation values and districts identified on CNAV with the required annexation document due to the Department each year.
 - Ordinances for those annexations are also considered to check timing.
- AV Withholding
 - Any withholding over 2% needs Department approval.
 - August 1 – last day for county auditor to provide the Department and each political subdivision a notice of the AV withholding from the ensuing year CNAV.

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CNAV Review – Abstract Correlation

- Review of the CNAV is a good precursor to the review of the Abstract.
 - The data in CNAV (due Aug. 1) and Abstract (due Mar. 15) are similar, but the Abstract is updated and reflects current data.
 - The CNAV establishes the tax rate. The abstract then takes those rates and creates the actual tax bills.
 - Ensuring the CNAV is as accurate as possible at the time is a good way to ensure a successful abstract.

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CNAV Review – Abstract Correlation

- The Department emphasizes that an accurate depiction of the tax base at the time of net assessed value certification is essential for a successful abstract and tax billing process.

CNAV-to-Abstract Example	
Certified Net Assessed Value (8/1/2025)	100,000,000
Certified Levy - County	1,200,000
Certified Tax Rate - County	1.2000
Abstract Assessed Value (03/15/2026)	75,000,000
Certified Tax Rate - County (Restated)	1.20
County Levy Based on Abstract Assessed Value	900,000
Abstract Levy - Certified Levy	(300,000)

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Common Mistakes and How to Avoid Them

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Common Mistakes and How to Avoid Them

- During the review of the Pay 2025 CNAV, there were commonly repeated errors.
- Some of these errors resulted in a recertification process as defined by IC 6-1.1-17-1 which delays budget review for all units within the county.
- These errors can have significant implications on budgets, taxation, and underlying units.
- Total number of recertifications for pay 2025 CNAV: 19

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Common Mistakes (cont.)

- Omitted annexation notations on Step 1
 - While actual values of the annexation may be included in the total AV for a district, the AV must be notated in Step 1 in the “Supplemental AV” column.
 - The Department uses these values during the budget certification process to accurately adjust any max levies that need adjusted due to annexation.
 - Software may assist with this during upload into CNAV, but there were several cases this year where annexation notations were missed.

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Common Mistakes (cont.)

- Linkage issues in Step 2 where an existing district was not properly connected to a unit.
 - Example: a Township in a county is “fully connected” to a municipality, including the Fire Fund. While there are some exceptions, Township Fire Funds are generally not taxing a municipality in their jurisdiction.
 - Example: a county fund had an extra district attached that should not have been. This fund was not a countywide fund, and the extra district was being taxed for the county fund as another unit was taxing it for the same services. This, if not caught, would create double taxation.

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Common Mistakes (cont.)

- Linkage issues in Step 3 where a unit was not tied to the correct funds.
 - Example: a county did not connect all funds to a unit, creating the possibility of not having an accurate tax base for a tax-driven fund.

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Common Mistakes (cont.)

- Not updating Conservancy values in Step 4 to reflect current year.
- Not applying to the Department before withholding more than the standard 2%.
- Not using the current year Utility and/or Rail values sent by the Department.
- Not linking new districts properly in Steps 2 & 3, resulting in AV not being applied to the correct units and funds.
 - MTEs and Phase-In annexations require special attention.

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Common Mistakes (cont.)

- TIF – Increment Values
 - In many cases, TIF increment reported during CNAV did not align with the increment reported during neutralization.
 - While changes can happen between these submissions, several times the questions asked to confirm what might have caused these changes led to discoveries of underlying issues.
 - Re-certification occurred many times due to TIF issues identified by Department questions.

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Common Mistakes (cont.)

- TIF – General
 - Not updating the base of a TIF allocation area, creating problems for the current year.
 - Not marking TIF parcels correctly in the tax and billing software, causing incorrect values when doing TIF neutralization steps.
 - New TIFs not going through neutralization at the correct time.

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Common Mistakes (cont.)

- Not updating deductions, exemptions, and abatements timely.
 - Example: Changing percentages in Supplemental Homestead. Example: A county auditor did not update certain deductions before the CNAV process.
 - The issue resulted in an approximate \$116 million issue on the CNAV, resulting in an amendment to CNAV – In April of the next year.
 - New 1782 Notices and amended Budget Orders were needed in April and May of the next year.
 - The abstract had to be redone, and approximately 71,000 tax bills were required to be amended in this county. Additionally, cross-county units necessitated three other counties redoing their abstract and issuing approximately 14,000 new tax bills.

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Common Mistakes (cont.)

- Not updating deductions, exemptions, and abatements timely
 - Example: Missing the application of all abatements/ERAs.
 - The issue resulted in a potential unexpected loss of \$1.3M revenue for several taxing units.
 - The omission of abatements was not discovered until the abstract period, well after the certification of tax rates.
 - During CNAV submission, the county provided nondescript answers to the + 10% increases in real and personal property.
 - The Department emphasizes that the automated checks in the CNAV application are intended to be a safeguard for the Auditor's office doing a deeper dive into changes.

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How to Avoid Them

- Verify, verify, verify before submission. Once the submission is complete, the information is certified and made public.
 - Ensure deductions, exemptions, and abatements are updated to current year values.
 - Review district and unit linkages in the software and on the DLGF CNAV Application.
 - Provide thorough answers on Step 5 for the Department to use in their review as often as possible.
 - While some answers may be assessment-related, oftentimes, changes identified on the CNAV Application are related to changes in Net Assessed values, not gross.

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How to Avoid Them (cont.)

- Compare the current year's AV reports from software to the previous year's AV reports from software.
 - Identify missed updates of exemptions, deductions, and abatements.
 - Identify missed AVs, especially utility and rail values sent by the Department.
- Verify parcels under appeal are accurately reflected in CNAV.
- Verify TIF increment values and pass-through, if applicable.
- Internal Controls.

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Questions?

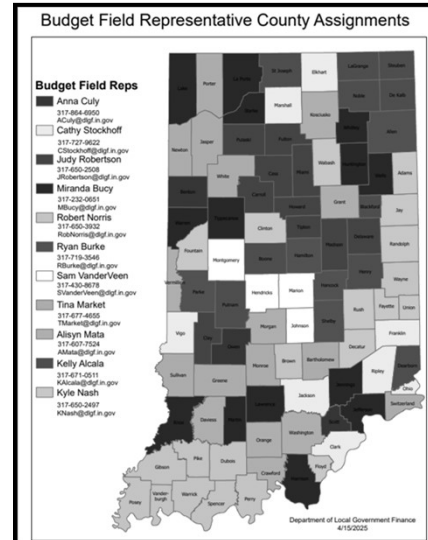
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Budget Field Representatives

- Budget Field Reps are your #1 contact at the Department.
- They can answer questions.
- They can help explain changes in procedures.
- They can help you avoid common mistakes and, in some cases, help correct those mistakes.
- <https://www.in.gov/dlgf/files/maps/Field-Rep-Map-Budget.pdf>



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