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Big Box Tax Appeal Could Cost Indiana Municipalities Big Dollars.

A state tax court ruling that changes the way big box stores are assessed could take a significant financial toll on some local communities, according to financial consultants, who are warning government officials to be prepared in case they have to cover possible shortfalls.

“You can plan for a disaster if you know it’s happening,” Jim Bennett, Merrillville’s financial consultant, told the Town Council recently.

A December 2014 ruling by the Indiana Board of Tax Review found a Meijer store in Marion County should have been assessed according to the value of similar stores nearby that were vacant and sold, not on the sales taking place inside its building.

As a result, the court decided the Marion County store should be assessed at $30 per square foot instead of the $83 per square foot it was being assessed.

The case is still pending before the Indiana Tax Court, and a court conference call is scheduled for Tuesday on the matter, according to online court records.But communities are now bracing for appeals from Meijer and other big box stores — such as Wal-Mart, Target, Lowe’s and Costco — which could see the stores’ tax bills cut substantially as a result.

What’s more, the appeals could cover the past 10 years or more, which means some communities would have to give refunds to stores.

Experts in municipal finance say they don’t know how many appeals there will be but added they could hit some communities harder than others.

“It could hit their bottom lines at the end of the year. It would not be good. We’re talking multimillion dollar refunds, depending on the scope of the appeal,” said Michael Wieser, director of finance in the Lake County Auditor’s office.

Wieser said while he doesn’t know what the scope of any appeals filed would be, he did some preliminary scenarios two years ago when first hearing of the court’s decision. He found that St. John Township, particularly Schererville, would be hard hit in Lake County, due largely to the fact that its big box stores are along U.S. Route 41, which is in a tax increment financing district.

Wieser said he calculated that Schererville could have to give refunds of about $700,000 a year for six years, plus interest.

“Interest in 2009 was 9 percent,” he said.

He said St. John could have to pay a couple hundred thousand dollars a year, but Dyer looks like it will pay next to nothing.

He explained that in a TIF district, the community's Redevelopment Commission issues bonds that pay for infrastructure improvements in that area to bring in businesses. The increment in the assessed valuation of the businesses in the district is used to repay the bonds.

"There are so many variables, but it could be devastating to Redevelopment Commissions. The bonds are for 25 to 30 years, and the commission has to pay X amount every year. It doesn't go down as you pay it," Wieser said.

Karl Cender, the financial consultant for Portage and Valparaiso in Porter County, said he doesn't know if anyone has done an analysis in Porter County on how communities would be affected.

"It could be substantial," he said.

Cender said communities should begin looking at ways to protect themselves in the event appeals are made by some of the big box stores and refunds are awarded.

"In general, they need to look at other ways to cut expenses or other measures to increase revenues," Cender said.

He said Valparaiso should have enough money in its reserves to weather the storm. Portage has some reserves, but should start preparing, he said.

Hobart Clerk-Treasurer Deborah Longer said that city shouldn't be affected too badly as its commercial retail area isn't in a TIF district.

Hobart Councilman Dave Vinzant, D-4th, called this another example of the pro-business state helping businesses and putting the extra burden onto its residents.

Merrillville's Bennett suggested some of the communities work together as a team to fight the assessment change.

Merrillville Town Councilman Shawn Pettit, D-6th, said the town should contact Indiana Association of Cities and Towns about the issue.

"It's important for us to look at this collectively as a group to see what could happen." Merrillville Council President Richard Hardaway, D-2nd, said.

"All we can do is sit back and wait to see what happens," said Merrillville Councilwoman Chrissy Barron, D-5th.

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