Residential Rental Properties

Grant County currently uses the Income Approach as well as the Cost Approach when assessing income-producing properties. Because income properties are purchased with investment as the intent rather than owner occupancy, the market is different and the State requires the Gross Rent Multiplier to be used. The Gross Rent Multiplier creates a direct relationship between the gross rent generated by a rental property and the sale price, or market value, allowing for assessments based on the investment potential.

Sale Price / Rent = Gross Rent Multiplier (GRM)

Rent * GRM = Assessed Value

Own a rental property? Please fill out form at the end of this page.
How is this info used to value rental properties?

Where do these values for rental properties come from?

That is a very good question and one that is asked often. Hopefully this illustration willprovide some answers to that question. According to IC 6-1.1-4, income properties are tobe valued with the preferred method of the gross rent multiplier. The calculation for themultiplier to be used is:

Sale Price/Rent = Multiplier (annual) or (Sale Price/Rent)/12 = Multiplier (monthly.)

So, how is this put into practice?

Step 1. Collect sales and income information from all available resources. All saleschecked as Income properties are verified and validated, determining theirsuitability to be used for modeling. Rent information is also collected during thisprocess.
Step 2. Separate all sales and rents into appropriate neighborhood or GRM areas.
Step 3. Determine the median gross rent multiplier for each area.
Step 4. Determine the appropriate market rent for each area dependent upon bedroom count.
Step 5. Apply estimated market rent and gross rent multiplier to each residential income property.

Example: Below is a brief example of how assessed values are arrived at for income properties showing each step of the process.

Step 1 & 2. Collection of data – All 9 sales are valid transactions occurring during the previous year. This Sample Neighborhood has been separated from the overall group.

Sample Neighborhood

House #	Bedroom Count	Rent	Sale Price
House 1:	2	$400	$25,000
House 2:	3	$450	$24,000
House 3:	3	$550	$27,000
House 4:	2	$350	$24,000
House 5:	3	$500	$31,800
House 6:	4	$550	$36,900
House 7:	2	$425	$28,700
House 8:	4	$600	$41,000
House 9:	4	$650	$42,000

Step 3. Determine the median Gross Rent Multiplier

Sample Neighborhood

House #	**Bedroom Count**	**Rent**	**Sale**	**Price**	**GRM ((sale/rent)/12)**
House 1:	2		$400	$25,000	5.21
House 2:	3		$450	$24,000	4.44
House 3:	3		$550	$27,000	4.09
House 4:	2		$350	$24,000	5.71
House 5:	3		$500	$31,800	5.30
House 6:	4		$550	$36,900	5.59
House 7:	2		$425	$28,700	5.63
House 8:	4		$600	$41,000	5.69
House 9:	4		$650	$42,000	5.38

**** Gross Rent Multiplier = median (middle-point) multiplier for the area.

The median GRM for this sample neighborhood is: 5.38

4.09 4.44 5.21 5.30 5.38 5.59 5.63 5.69 5.71

Step 4. Determine the appropriate market rent by bedroom count.

B. The estimated market rent for a 2 bedroom house is: $400

$350 $400 $425

C. The estimated market rent for a 3 bedroom house is: $500

$450 $500 $550

D. The estimated market rent for a 4 bedroom house is: $600

$550 $600 $650

Step 5. Apply market rent and gross rent multiplier to each income property.

Assessed Values for Sample Neighborhood

House #	**Bedroom**	**EstMkt Rent**	**GRM**	**Assessed Value**
House 1:	2	$400	5.38	$25,800
House 2:	3	$500	5.38	$32,300
House 3:	3	$500	5.38	$32,300
House 4:	2	$400	5.38	$25,800
House 5:	3	$500	5.38	$32,300
House 6:	4	$600	5.38	$38,700
House 7:	2	$400	5.38	$25,800
House 8:	4	$600	5.38	$38,700
House 9:	4	$600	5.38	$38,700

This illustrates the importance of providing income information in the interest ofachieving accurate and uniform assessments. This information is constitutionallyprotected by Code: IC 6-1.1-35-9 and will remain confidential. Thank you for yourassistance in helping achieve appropriate values!

Frequently Asked Questions

Q. How do I get a rental deduction?

A. In Indiana, there is not a “rental deduction.” Real estate in Indiana is valuedbased on “market-in-use.” Rental properties are typically purchased with theintent of investment, not as a primary residence, therefore, investors typically willpurchase for a lower price. An income property owner will need to complete arental questionnaire and supply a copy of the current lease with the CountyAssessor’s office. When thisinformation is filed, we are able to value the property based on sales of otherresidential rentals through the use of a gross rent multiplier, usually, though notalways, resulting in a lower assessed value. This is simply using anotherapproach 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 currentlyrents 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 anytrends as time goes by. Per IC 6-1.1-35-9, any information pertaining to incomeand expenses is constitutionally protected and will remain confidential. In order tomaintain accurate property information, we will be unable to price any new rentalproperties with the income approach without signed verification from the owneror 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 CountyAssessor to discuss your concerns. If we areable, we will handle any corrections immediately. If this is not possible, theowner has the right to appeal any assessed value up to 45 days after the date aForm 11 Notice of Assessment Change is mailed, or, if no notice was mailed, upto 45 days after the date of the first tax bill. The appeals process is very straight forwardand taxpayer-friendly, providing you with the opportunity to have yourquestions answered according to a statutory procedure. If, in the appeal process,you are not able to resolve the issue with the County, youwill have the ability to present your concerns to the Property Tax AssessmentBoard of Appeals (PTABOA). From there, you also have the option of appealingto the Indiana Board of Tax Review.

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 valuedwith the income approach. In situations where below or above market rent ischarged, we will use the estimated rent for the area. This ensures uniformassessments 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 havebeen purchased as income investments with no intent to sell to the tenant. Rentto-Own is basically an unrecorded contract to sell the property. If the contract tosell 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), are calculated based on actual sales andreported rents of residential rental properties for each area. These can indicate theinvestment potential of a specific area. Areas with a low GRM likely indicate ashort term investment, usually accompanied by higher vacancy rates andmaintenance costs. A higher GRM typically indicates an area where an investorexpects 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 initial investment in a property, not including taxes, interest, etc andthe monthly GRM indicates how many years.

Q. I purchased my property through the Grant County Tax Sale. Why isn'ttax sales used when assessing income properties, especially if they are thepredominant sales?

A. A property is entered into the County Tax Sale after the owner has not paid threeconsecutive tax bills. The value is based on the taxes owed, not the actual marketvalue 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.

Grant County	Type	Location	GRM(yearly)
County Wide	Mobile Homes	County Wide	102
	3 Units+	Rest of County	50
	2 Units	Rest of County	59
	1 Unit	Rest of County	70
Center	4 Units	All Marion	42
	3 Units	All Marion	45
	2 Units	Marion - Center	62
	1 Unit	Marion - Center	69
Fairmount	3 Units+	Fairmount	50
	2 Units	Fairmount	59
	1 Unit	Fairmount	70
	1 Unit	Fairmount	47
Franklin	4 Units	All Marion	42
	3 Units	All Marion	45
	2 Units	Marion - Franklin	48
	1 Unit	Marion - Franklin	60
Gas City	(for Mill outside corp use County Wide)		
	3+ Units	Gas City	62
	2 Units	Gas City	69
	1 Unit	Gas City	75
Pleasant	4 Units	All Marion	42
	3 Units	All Marion	45
	2 Units	Marion - Pleasant	68
	1 Unit	Marion - Pleasant	80
Washington	4 Units	All Marion	42
	3 Units	All Marion	45
	2 Units	Marion - Washington	48
	1 Unit	Marion - Washington	67

Formula **Monthly Rent x GRM = Total Assessed Value**

Re: Property Tax Assessments for Rental Properties

The Grant County Assessor is requesting verifiable income information for your rental property. For properties with less than 4 rental housing units, Indiana Code 6-1.1-4.39(b) states that the Gross Rent Multiplier (Income method) is the preferred method for valuation of this property type. This information will assist the assessor in reviewing your current assessment and in developing **2013 and forward** property tax assessments.

All income producing properties in the county will be analyzed using the income approach to value. For many taxpayers, this method produces a more favorable assessment, resulting in lower taxes. Likely, it's to your benefit to provide this information. All information provided is privileged and confidential, and will not be shared with any outside parties. Please respond to this request as soon as possible so we may provide a timely and accurate assessment for your property.

Please provide the following:

1) The gross rentper unit for each property that you own. For consistency purposes, please use a copy of the attached **worksheet** for each rental property.
2) A copy of **Schedule E** from your federal income tax return for the years 2009 and 2010. If no Schedule E is available, please provide a detailed **report of income** and expenses for the past two (2) years.
3) A **current appraisal** from a licensed appraisal professional, if available.
4) Any other information you feel is relevant in determining the value of your rental property.

If you have multiple rental properties, please use a separate copy of the form for each and return to the address below.

Tamara Martin
GrantCounty Assessor
401 S Adams St
Marion IN 46953

Thank you in advance for your cooperation.

Grant County Income Valuation Worksheet
One to Three Unit Rental Housing

*** Privileged & Confidential ***

I. Taxpayer Information

Owner Name:

Property Address:

Township

Parcel #:

Work/Cell Phone #:___________________________Fax #: _________________________

II. Property Information

Date of Purchase:_____________________________Purchase Price:________________________

It is important that you put the monthly rent charged* ***the schedule E will provide for uncollected rent*	**Monthly Rent** for Unit 1	What utilities are included as part of rent?	**Monthly Rent** for Unit 2	What utilities are included as part of rent?	**Monthly Rent** for Unit 3	What utilities are included as part of rent?	**Monthly Rent** for Unit 4	What utilities are included as part of rent?
For Year 2011								
2012								
2013								

***For additional units please attach a separate sheet with information

If you have any questions concerning the completion of this form feel free to contact the Grant County Assessor's office at 765-668-4773.