

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE N1058(B)  
INDIANAPOLIS, IN 46204  
PHONE (317) 232-3777  
FAX (317) 974-1629

**TO:** All County Auditors  
**FROM:** Micah G. Vincent, Commissioner *MGV*  
**RE:** Various Property Tax Deduction Matters  
**DATE:** July 9, 2013

On May 11, 2013, Governor Mike Pence signed into law House Enrolled Act 1545 ("HEA 1545"). Sections 3 through 20 amend the homestead deduction statute and various statutes pertaining to the deduction for rehabilitated or redeveloped property. Sections 21 and 22 introduce changes to definitions of certain kinds of land for purposes of the circuit breaker credits. Section 27 affects the coal combustion product property tax deduction.

This memorandum addresses these changes. Please note that this memorandum is not a substitute for the law; rather, it is intended to be an informative bulletin. Indiana law always governs.

Section 3 amends the homestead deduction statute, IC 6-1.1-12-37, to add subsection (p). Subsection (p), which is effective retroactively to March 1, 2013, provides that: An individual is entitled to the deduction under this section for a homestead for a particular assessment date if:

- (1) either:
  - (A) the individual's interest in the homestead as described in subsection (a)(2)(B) is conveyed to the individual after the assessment date, but within the calendar year in which the assessment date occurs; or
  - (B) the individual contracts to purchase the homestead after the assessment date, but within the calendar year in which the assessment date occurs;
- (2) on the assessment date:
  - (A) the property on which the homestead is currently located was vacant land; or
  - (B) the construction of the dwelling that constitutes the homestead was not completed;
- (3) either:
  - (A) the individual files the certified statement required by subsection (e) on or before December 31 of the calendar year in which the assessment date occurs to claim the deduction under this section; or
  - (B) a sales disclosure form that meets the requirements of [IC 6-1.1-12-44] is submitted to the county assessor on or before December 31 of the calendar year for the individual's purchase of the homestead; and
- (4) the individual files with the county auditor on or before December 31 of the calendar

year in which the assessment date occurs a statement that:

(A) lists any other property for which the individual would otherwise receive a deduction under this section for the assessment date; and

(B) cancels the deduction described in clause (A) for that property.

An individual who satisfies the requirements of subdivisions (1) through (4) is entitled to the deduction under this section for the homestead for the assessment date, even if on the assessment date the property on which the homestead is currently located was vacant land or the construction of the dwelling that constitutes the homestead was not completed. The county auditor shall apply the deduction for the assessment date and for the assessment date in any later year in which the homestead remains eligible for the deduction. A homestead that qualifies for the deduction under this section as provided in this subsection is considered a homestead for purposes of section 37.5 [the supplemental homestead deduction] and IC 6-1.1-20.6 [the circuit breaker credits]. The county auditor shall cancel the deduction under this section for any property that is located in the county and is listed on the statement filed by the individual under subdivision (4). If the property listed on the statement filed under subdivision (4) is located in another county, the county auditor who receives the statement shall forward the statement to the county auditor of that other county, and the county auditor of that other county shall cancel the deduction under this section for that property.

Sections 4 through 20 amend various statutes under IC 6-1.1-12.1, which governs the deduction for rehabilitated or redeveloped property. These amendments are effective July 1, 2013.

Section 4 amends IC 6-1.1-12.1-1, which governs the definitions for the Deduction for Rehabilitation or Redevelopment of Real Property in Economic Revitalization Areas chapter, so that wherever a definition defined property or equipment installed before or after a specific date (i.e., June 30, 2000), reference to that date has been removed.

Section 5 amends IC 6-1.1-12.1-2 so that designation of an area as a residentially distressed area has the same effect as designating an area as an economic revitalization area, except that the amount of the deduction shall be calculated as specified in IC 6-1.1-12.1-4.1 and the deduction is allowed for not more than the number of years specified by the designating body under C 6-1.1-12.1-17 (rather than five years as was previously the case). Provisions/references to old dates have been deleted.

Sections 6 and 7 amend IC 6-1.1-12.1-2.5 and IC 6-1.1-12.1-3, respectively, to eliminate provisions/references to old dates. For IC 6-1.1-12.1-3, Section 7 deletes the provision whereby if an area is a residentially distressed area, the deduction period is not more than five years. Section 7 removes exception to prohibition on liquor store receiving redevelopment/rehabilitated property deduction.

Section 8 amends IC 6-1.1-12.1-4 so that the amount of the deduction equals the product of the increase in the assessed value resulting from the rehabilitation or redevelopment multiplied by the percentage determined under IC 6-1.1-12.1-17. Section 8 deletes the old deduction formula.

Section 9 amends IC 6-1.1-12.1-4.1 as follows:

(a) [IC 6-1.1-12.1-4] applies to economic revitalization areas that are not residentially distressed areas.

(b) This subsection applies to deductions approved before July 1, 2013, for the redevelopment or rehabilitation of property located in economic revitalization areas that are residentially distressed areas. Subject to section 15 of this chapter, the amount of the deduction that a property owner is entitled to receive under section 3 of this chapter for a particular year equals the lesser of:

(1) the assessed value of the improvement to the property after the rehabilitation or redevelopment has occurred; or

(2) the following amount:

TYPE OF DWELLING	AMOUNT
One (1) family dwelling	\$74,880
Two (2) family dwelling	\$106,080
Three (3) unit multifamily dwelling	\$156,000
Four (4) unit multifamily dwelling	\$199,680

(c) This subsection applies to deductions approved after June 30, 2013, for the redevelopment or rehabilitation of property located in economic revitalization areas that are residentially distressed areas. Subject to section 15 of this chapter, the amount of the deduction the property owner is entitled to receive under section 3 of this chapter in a residentially distressed area for a particular year equals the product of:

(1) the increase in the assessed value resulting from the rehabilitation or redevelopment; multiplied by

(2) the percentage determined under section 17 of this chapter.

Section 19 amends IC 6-1.1-12.1-4.5, which prescribes the abatement schedule. Section 19 eliminates current tables and requires use of the schedule now prescribed by IC 6-1.1-12.1-17.

Section 11 amends IC 6-1.1-12.1-4.7 to make technical corrections.

Section 12 amends IC 6-1.1-12.1-4.8, which governs the vacant building deduction. Section 12 eliminates the existing formula for calculating deduction and requires use of the schedule now prescribed by IC 6-1.1-12.1-17.

Sections 13 through 17 amend IC 6-1.1-12.1-5, IC 6-1.1-12.1-5.1, IC 6-1.1-12.1-5.4, IC 6-1.1-12.1-5.6, and IC 6-1.1-12.1-5.9, to delete provisions/references to old dates.

Section 18 amends IC 6-1.1-12.1-11.3 to make technical correction due to the deletion of IC 6-1.1-12.1-16. Section 19 repeals IC 6-1.1-12.1-16.

Section 20 amends IC 6-1.1-12.1-17 to read:

(a) A designating body may provide to a business that is established in or relocated to a revitalization area and that receives a deduction under [IC 6-1.1-12.1- 4 or 4.5] an abatement schedule based on the following factors:

(1) The total amount of the taxpayer's investment in real and personal property.

(2) The number of new full-time equivalent jobs created.

(3) The average wage of the new employees compared to the state minimum wage.

(4) The infrastructure requirements for the taxpayer's investment.  
(b) This subsection applies to a statement of benefits approved after June 30, 2013. A designating body shall establish an abatement schedule for each deduction allowed under this chapter.

An abatement schedule must specify the percentage amount of the deduction for each year of the deduction. An abatement schedule may not exceed ten (10) years.

(c) An abatement schedule approved for a particular taxpayer before July 1, 2013, remains in effect until the abatement schedule expires under the terms of the resolution approving the taxpayer's statement of benefits.

Sections 21 and 22 add and amend IC 6-1.1-20.6-1.2 and IC 6-1.1-20.6-4, respectively, to define "common areas" for purposes of the circuit breaker credits. These amendments are effective January 1, 2014. For credit determinations after 2013, "common areas" means any of the following:

(1) Residential property improvements on real property on which a building that includes two or more dwelling units, a mobile home, or a manufactured home is located, including all roads, swimming pools, tennis courts, basketball courts, playgrounds, carports, garages, other parking areas, gazebos, decks, and patios.

(2) The land and all appurtenances to the land used in connection with a building or structure described in subdivision (1), including land that is outside the footprint of the building, mobile home, manufactured home, or improvement.

The definition of "residential property" (under IC 6-1.1-20.6-4) incorporates the definition of common areas as prescribed by IC 6-1.1-20.6-1.2.

Section 48 repeals IC 6-3.1-25.2 (coal combustion product income tax credit). Accordingly, section 27 repeals IC 6-1.1-44-7, which provided that a taxpayer who obtains a credit under IC 6-3.1-25.2 may not obtain a coal combustion product property tax deduction.

### **Contact Information**

Questions may be directed to Staff Attorney Mike Duffy at 317-233-9219 or [mduffy@dlgf.in.gov](mailto:mduffy@dlgf.in.gov).