



“Fall” into Deductions

Auditors’ Conference

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Deductions, Exemptions, and Credits, Oh My!

- What's the difference between a deduction, exemption, and a credit?
- A deduction reduces the assessed value being taxed, an exemption excludes property from assessment and/or taxation, and a credit reduces the tax bill.



Deductions, Exemptions, and Credits, Oh My!

- This presentation and other Department of Local Government Finance materials are not a substitute for the law! This is not legal advice, just an informative presentation. The Indiana Code always governs.
- Most importantly, if you're not sure about something, ask first! The Department will do its best to answer your questions. If the Department can't help, it will either refer you to the right agency or to your county attorney. Don't rely on rumors or third party information.



Applying the Deduction to Real Estate

• Assessed value of real estate	\$ 90,000
• – Less Homestead Deduction:	- \$ 45,000
• – Less Supplemental:	- \$ 15,750
• – Less Mortgage Deduction:	- \$ 3,000
• – Less Partially Disabled Vet Deduction	<u>- \$ 24,960*</u>
• Net Assessed Value of Property =	\$ 1,290

- It is suggested that the veteran deduction be applied last so that if there is an unused portion remaining, the vet can seek an excise tax credit.
- It is possible for deductions to zero out a tax bill (personal property mobile homes may be an exception).
- **Deduction applications must be filled out and signed by December 31 and filed or postmarked by January 5.**



Overview of Common Deductions

Homestead Standard Deduction:

- Lesser of \$45,000 or 60% of the gross AV of the property;
- Applies to the dwelling (and those structures, such as decks and patios attached to the dwelling) and the surrounding acre (even if the acre straddles multiple parcels);
- Applies to property that is the applicant's principal place of residence, meaning the individual's true, fixed, permanent home TO WHICH THE INDIVIDUAL HAS THE INTENTION OF RETURNING AFTER AN ABSENCE.
- Applicant must own or be buying under recorded contract that provides that the buyer is responsible for the taxes (the latter is a pretty universal principle when a contract is involved). For homestead deduction, contract must obligate seller to transfer ownership at close of contract.



Overview of Common Deductions

Supplemental Homestead Deduction:

- Applied to the net AV resulting after application of the standard homestead deduction;
- Deduction equals 35% of the net AV (if the net is less than \$600,000) or 25% of the net AV (if the net is greater than \$600,000).



Overview of Common Deductions

Energy Deductions:

- Solar Energy Heating or Cooling System (deduction equals the out-of-pocket expenditures for the components and labor);
- Solar Power Device, Wind Power Device, Hydroelectric Power Device, Geothermal Device (deduction equals the AV of the property with the device less the AV of the property without the device [for a solar power device assessed as distributable or personal property, the deduction equals the AV of the device]).
- Please note: hydroelectric and geothermal devices must be certified by the Indiana Department of Environmental Management (if certified, subsequent owner does NOT need to seek certification again).



Overview of Common Deductions

Mortgage:

- Lesser of: \$3,000, balance of mortgage or contract indebtedness on assessment date, or one-half of the total AV of property;
- A person may not have more than one mortgage deduction in his name. However, if a married couple owns two pieces of property and each property is mortgaged in the spouses' names, one spouse could have a mortgage deduction in his name on one property while the other spouse has a mortgage deduction in her name on the other property. Likewise, if a person owns a business (e.g., LLC), the person could have a mortgage deduction in his name and the business could have a mortgage deduction in its name.



Overview of Common Deductions

Mortgage: (continued)

- Although there must be a mortgage balance in place, there is no statutory minimum balance.
- The mortgage deduction is available for property on which a person has a home equity line of credit that is recorded in the county recorder's office. The Department believes that both a home equity line of credit and a reverse mortgage can qualify for the mortgage deduction.



Overview of Common Deductions

Over 65 Deduction:

- Lesser of one-half of the **gross** AV of the property or \$12,480 (can zero out bill!);
- Applicant must have owned (or been buying) the property for at least one year before “claiming” the deduction;
- Applicant and any joint tenants or tenants in common must reside on the property;
- Combined, adjusted gross income of applicant and applicant’s spouse or applicant and any joint tenants or tenants in common for preceding year did not exceed \$25,000;
- AV of property cannot exceed \$182,430;



Overview of Common Deductions

Over 65 Deduction: (continued)

- Applicant must be at least 65 by December 31 of the year preceding the year in which the deduction is claimed (in other words, must be at least 65 by December 31, 2016 to receive the deduction for '16 Pay '17);
- The **same person** cannot have the over 65 deduction in conjunction with deductions other than the homestead, mortgage, and fertilizer storage deductions;
- The deduction cannot be denied on the basis that the recipient is away from the property while in a hospital or nursing home;
- If any joint tenants or tenants in common are not at least 65, the deduction is reduced by a fraction.



Overview of Common Deductions

Over 65 Circuit Breaker: (continued)

- Credit prevents recipient's homestead tax liability from increasing by more than 2% over previous year;
- Applicant must have been eligible for homestead deduction in preceding year as well as current year;
- If applicant filed an individual income tax return for the preceding year, income cannot have exceeded \$30,000 (or \$40,000 if filed jointly with spouse);
- Gross AV of homestead cannot exceed \$160,000;
- No restrictions on combining credit with other deductions;
- Applicant is or will be at least 65 on or before December 31 of the calendar year immediately preceding the current calendar year (in other words, must be at least 65 by December 31, 2016 to receive the credit for '16 Pay '17).



Overview of Common Deductions

Blind/Disabled Person Deduction:

- Deduction is \$12,480;
- Applicant must use property as principal place of residence;
- Applicant must own or be buying the property under recorded contract;
- Applicant must provide proof of blindness or disability;
- Applicant's individual income for preceding year did not exceed \$17,000.



Overview of Common Deductions

Blind/Disabled Person Deduction: (continued)

- I have a couple that both applied for the disabled deduction. This will take the value to zero on their primary residence. They have two other parcels. Can you put the rest of the disabled deduction on other property they own?
- The property for which the deduction is sought must be the applicant's principal residence. Thus, only property that is principally used and occupied by the individual as the individual's residence qualifies.



Overview of Common Deductions

- “Individual with a disability” means a person unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which:
 - (1) can be expected to result in death; or
 - (2) has lasted or can be expected to last for a continuous period of not less than twelve (12) months.
- The individual must submit proof of the disability. Proof that a claimant is eligible to receive disability benefits under the federal Social Security Act (42 U.S.C. 301 et seq.) shall constitute proof of disability.
- An individual with a disability not covered under the federal Social Security Act shall be examined by a physician and the individual's status as an individual with a disability determined by using the same standards as used by the Social Security Administration. The costs of this examination shall be borne by the claimant.
- Proof of blindness may be supported by:
 - (1) the records of the division of family resources or the division of disability and rehabilitative services; or
 - (2) the written statement of a physician who is licensed by this state and skilled in the diseases of the eye or of a licensed optometrist.



Overview of Common Deductions

Heritage Barn (see IC 6-1.1-12-26.2)

- The heritage barn deduction is now only available for a mortise and tenon barn that on the assessment date was constructed before 1950 and retains sufficient integrity of design, materials, and construction to clearly identify the building as a barn. There is no longer any prohibition against using the barn for agricultural purposes in the operation of an agricultural enterprise or for business purposes. Statute defines “mortise and tenon barn” to mean a barn that was built using heavy wooden timbers, joined together with wood-pegged mortise and tenon joinery, that form an exposed structural frame.
- Cannot be a dwelling.



Overview of Common Deductions

Heritage Barn (see IC 6-1.1-12-26.2)

- Statute now requires the applicable township or county assessor to verify that the barn was constructed before 1950. Moreover, the auditor must apply the deduction to a heritage barn that received the deduction in the preceding year unless the auditor determines that the property is no longer eligible for the deduction because the barn was not constructed before 1950. Statute did not previously include this phrase. The Department understands this to mean that if Barn A qualified for and received the heritage barn deduction under the previous version of the law on January 1, 2016, but Barn A is not a mortise and tenon barn, Barn A will NOT lose the deduction for January 1, 2017 since Barn A was built before 1950. It is still the case that this deduction terminates following a change in ownership of the heritage barn (if John sells Barn A to Bob, John's heritage barn deduction is removed for the following assessment date and Bob must apply in his own name). Generally, however, the only basis an auditor has now for removing a heritage barn deduction from a heritage barn already receiving it is if the auditor determines that the barn was not constructed before 1950. Thus, auditors and assessors should give special attention to ensuring that barns for which the deduction is initially granted are in fact eligible.



Overview of Common Deductions

Heritage Barn (see IC 6-1.1-12-26.2)

How many heritage barn deductions can a person receive?

- A person could receive more than one heritage barn deduction.

What about a barn that's been refurbished?

- If the core of the heritage barn is still there, then it probably could still qualify.

What about a barn that was originally built before 1950, but has been disassembled and reassembled since then?

- If the barn has been rebuilt after 1950, then it probably can no longer be considered “constructed before 1950.”



Overview of Common Deductions

Disabled Veteran Deductions (discussed later in this presentation)



Remember . . .

- If a deduction is validly in place on the assessment date, it will stay in place for the assessment year, even if the property changes hands and the new owner is ineligible for it. This is no different now that January 1 is the assessment date; **same filing deadlines apply** (fill out form and sign it by December 31, 2016 and file or postmark it by January 5, 2017).
- What if a person has a homestead on his principal place of residence on January 1 but moves to new principal place of residence later in the year? The deduction will stay on the old property for that tax cycle and taxpayer can be granted a homestead deduction for the new property for the same tax cycle. See IC 6-1.1-12-37(h).



Remember . . .

- A person must actually use the property as his or her principal place of residence in the year in which the deduction application/SDF is signed.

What happens if the county offices are closed December 31 or January 1 so that the taxpayer can't file the sales disclosure form or record a deed by December 31 and January 1, respectively?

- If the county offices are closed December 31, the taxpayer could file the sales disclosure form on the next business day the offices are open and it would still be considered timely. As for recording the deed, so long as the deed is executed by December 31, that's what counts; the deed does not need to be recorded in order for the taxpayer to obtain the deduction.

With the assessment date moving to January 1, how should mortgage deductions be handled now?

- There has to be an indebtedness as of January 1, 2016. The mortgage must be recorded by the time the person applies. The last day for completing and signing a mortgage deduction application for '16 Pay '17 is December 31, 2016. The application must be filed or postmarked to the auditor by January 5, 2017. In sum, a person could take out a mortgage December 31, 2015, record the mortgage and complete and sign the mortgage deduction application December 31, 2016, and file or postmark the application by January 5, 2017 and receive the deduction for '16 Pay '17.



“Taxing” Questions

Can one spouse or owner receive an over 65 deduction while the other spouse or owner receives a veteran deduction?

- YES! State law prohibits the same PERSON from receiving an over 65 deduction AND certain other deductions, but it does not prohibit one spouse or owner from receiving an over 65 deduction and the other spouse or owner receiving a disability or veteran deduction. Please note that the fractional reduction in the over 65 deduction only occurs if the other owner is not 65 and NOT the applicant’s spouse. If the applicant’s spouse is under 65, there is no reduction!



“Taxing” Questions

- Remember that a homestead deduction applies to a dwelling and up to one acre surrounding that dwelling. Even if that acre straddles or overlaps two or more parcels, the deduction must be applied to that full acre. The fact that the acre straddles or overlaps multiple parcels doesn't preclude the taxpayer from receiving a complete deduction on that acre! State law does not require the taxpayer to combine the parcels in order to receive the deduction on the acre.
- Also remember that for '14 Pay '15 and beyond, property must actually be receiving a homestead deduction to receive the 1% cap!



“Taxing” Questions

- If a taxpayer who failed to file the verification form provides proof of his or her eligibility for the deduction for the ‘12 Pay ‘13 cycle (or a subsequent cycle for which the deduction was terminated for failure to file the form), the deduction **MUST** be reinstated (no statutory deadline for taxpayer; no interest due; no statutory obligation to file Form 133).

What happens if part of a parcel is split off late in the year and the buyer of the split-off portion applies for a deduction? Can he receive a deduction even though the split won't have its own bill for that assessment date?

- Yes, he can have a deduction. The deduction would be calculated/based on the split-off portion, but it would be applied to the tax bill of the parent parcel. By way of example: \$100,000 parent parcel; split-off portion is a dwelling and acre assessed at \$50,000; homestead deduction would be \$30,000 (60% of \$50,000); \$30,000 deduction would be applied on tax bill of parent parcel (so the bill would reflect \$100,000-\$30,000 [and minus the supplemental homestead]).



“Taxing” Questions

- An auditor should not tell taxpayers that he or she will accept a homestead deduction application only if the applicant attaches or provides a Social Security card or tax return. If the auditor reviews the application and determines that there is a legitimate need for supporting documentation, that’s one thing, but an auditor cannot impose additional criteria or steps for applying for a homestead deduction (there are some deductions, such as the vet deductions, that do require that supporting documentation be attached).
- **NOTE: YOU CANNOT REQUIRE SUBMISSION OF AN ENTIRE SOCIAL SECURITY NUMBER UNLESS THERE IS EXPLICIT LEGAL AUTHORITY TO DO SO!**



“Taxing” Questions

- Please note that if you have two unmarried individuals who own a property and one of them uses it as his homestead, he is not precluded from applying for the homestead deduction even if his co-owner receives a homestead deduction on the property where she lives.
- By way of example, if Bob and Sue are siblings and own House A, which Bob uses as his homestead, Bob can claim a homestead deduction on House A even if Sue claims a homestead deduction on House B, which she uses as her homestead.



What's the deal with driver's licenses?

What's the deal with driver's licenses?

- The homestead deduction application must contain “either:
 - (A) the last five (5) digits of the applicant's Social Security number and the last five (5) digits of the Social Security number of the applicant's spouse (if any);
or
 - (B) if the applicant or the applicant's spouse (if any) does not have a Social Security number, any of the following for that individual:
 - (i) The last five (5) digits of the individual's driver's license number.
 - (ii) The last five (5) digits of the individual's state identification card number.
 - (iii) If the individual does not have a driver's license or a state identification card, the last five (5) digits of a control number that is on a document issued to the individual by the federal government.”
- “The county auditor may limit the evidence that an individual is required to submit to a state income tax return, a valid driver's license, or a valid voter registration card showing that the residence for which the deduction is claimed is the individual's principal place of residence.”



What's the deal with driver's licenses?

- Although a person has 60 days to obtain an Indiana driver's license after becoming a resident of the state, the person's failure to do so would not necessarily prohibit him from obtaining the homestead deduction.
- Notice that under statute, technically an applicant is required to submit only the last five digits of his (and his spouse's) SSN. If he doesn't have an SSN, then he can provide the last five digits of his DLN or state ID. The homestead deduction application form (HC10) has been updated to reflect this fact. When the SDF is updated, it too will reflect this. Regardless, statute controls.



“Taxing” Questions

- Remember that unless a couple is legally divorced, the couple is still married and entitled to only one homestead deduction. This is true even if the couple is living apart.
- The only exception to this idea is the following:

IC 6-1.1-12-37

- (n) A county auditor shall grant an individual a deduction under this section regardless of whether the individual and the individual’s spouse claim a deduction on two (2) different applications and each application claims a deduction for different property if the property owned by the individual's spouse is located outside Indiana and the individual files an affidavit with the county auditor containing the following information:



“Taxing” Questions

IC 6-1.1-12-37 (continued)

- The names of the county and state in which the individual’s spouse claims a deduction substantially similar to the deduction allowed by this section.
- A statement made under penalty of perjury that the following are true:
 - That the individual and the individual's spouse maintain separate principal places of residence.
 - That neither the individual nor the individual's spouse has an ownership interest in the other's principal place of residence.
 - That neither the individual nor the individual's spouse has, for that same year, claimed a standard or substantially similar deduction for any property other than the property maintained as a principal place of residence by the respective individuals.



“Taxing” Questions

- Continued . . .
- A county auditor may require an individual or an individual's spouse to provide evidence of the accuracy of the information contained in an affidavit submitted under this subsection. The evidence required of the individual or the individual's spouse may include state income tax returns, excise tax payment information, property tax payment information, driver license information, and voter registration information.



“Taxing” Questions

- There seems to be some inconsistency in the way deductions are handled following divorce or the death of a joint owner. This statute stands for the idea that the remaining owner is not obligated to reapply for the deduction. Although it would be ideal if that remaining owner did refile (and an auditor could ask if that person would be willing to do so), that remaining owner cannot be forced to do so.
 - IC 6-1.1-12-17.8 Version b (EXCERPT)
 - Automatic carryover of deductions; termination of standard deduction by county auditor; jointly held property, trusts, and cooperative housing corporations
- (d) An individual who receives a deduction provided under section 1, 9, 11, 13, 14, 16, 17.4 (before its expiration), or 37 of this chapter for property that is jointly held with another owner in a particular year and remains eligible for the deduction in the following year is **not required to file a statement to reapply for the deduction following the removal of the joint owner if:**
 - (1) *the individual is the sole owner of the property following the death of the individual's spouse;*
 - (2) *the individual is the sole owner of the property following the death of a joint owner who was not the individual's spouse; or*
 - (3) *the individual is awarded sole ownership of the property in a divorce decree.*



“Taxing” Questions

- In December, I received a letter from a taxpayer stating that they have moved and would like their mail forwarded to a new address. Should I pull that person’s homestead deduction for the preceding assessment date based on that letter?
- Again, if the deduction was validly in place on the assessment date, it will stay in place for that tax cycle. Here the auditor may have to seek additional information from the taxpayer, such as whether the taxpayer had moved out prior to the assessment date or whether the taxpayer is seeking a homestead deduction in another state for the same tax cycle that would require termination of the Indiana deduction. It is true that the taxpayer is the one obligated to notify the auditor of ineligibility, but the letter cited above isn’t necessarily sufficient proof of ineligibility.
- Auditors should perform due diligence before pulling a deduction.



“Taxing” Questions

- *How do we handle the income thresholds for the over 65 deduction and blind/disabled deductions?*

Over 65 Deduction (IC 6-1.1-12-9, 10.1):

“the combined adjusted gross income (as defined in Section 62 of the Internal Revenue Code) of:

(A) the individual and the individual's spouse; or

(B) the individual and all other individuals with whom:

(i) the individual shares ownership; or

(ii) the individual is purchasing the property under a contract;

as joint tenants or tenants in common;

for the calendar year preceding the year in which the deduction is claimed did not exceed twenty-five thousand dollars (\$25,000).

“In order to substantiate the deduction statement, the applicant shall submit for inspection by the county auditor a copy of the applicant's and a copy of the applicant's spouse's income tax returns for the preceding calendar year. If either was not required to file an income tax return, the applicant shall subscribe to that fact in the deduction statement.”



“Taxing” Questions

Over 65 Credit (IC 6-1.1-20.6-8.5):

“(A) in the case of an individual who filed a single return, adjusted gross income (as defined in Section 62 of the Internal Revenue Code) not exceeding thirty thousand dollars (\$30,000); or

(B) in the case of an individual who filed a joint income tax return with the individual's spouse, combined adjusted gross income (as defined in Section 62 of the Internal Revenue Code) not exceeding forty thousand dollars (\$40,000); for the calendar year preceding by two (2) years the calendar year in which property taxes are first due and payable.”



“Taxing” Questions

- How do we handle the income thresholds for the over 65 deduction and blind/disabled deductions?

Blind/Disabled Deduction (IC 6-1.1-12-11, 12):

- “[T]he individual's taxable gross income for the calendar year preceding the year in which the deduction is claimed did not exceed seventeen thousand dollars (\$17,000).”
- “For purposes of this section, taxable gross income does not include income which is not taxed under the federal income tax laws.”
- **Notice that only the over 65 deduction/credit requires submission of an income tax return!** Even then, statute does not require that the applicant permanently turn over a copy to the auditor – the applicant need only submit the return for inspection by the auditor.
- Adjusted gross income stated here:
 - **Form 1040 – Line 37**
 - **Form 1040A – Line 21**
 - **Form 1040EZ – Line 4**



What about trusts?

IC 6-1.1-12-17.9

- SEA 371-2016 amends IC 6-1.1-12-17.9 concerning the eligibility of property owned by a trust for certain deductions. The law continues to allow a person to claim certain deductions on property owned by a trust if the person has a beneficial interest in the trust (or “the right to occupy the real property rent free under the terms of a qualified personal residence trust created by the individual under United States Treasury Regulation 25.2702-5(c)(2)”) and the person otherwise qualifies for the deduction. However, the law no longer requires the person to be “considered the owner of the real property under IC 6-1.1-1-9(f) or IC 6-1.1-1-9(g),” meaning a life tenant or grantor of a qualified personal residence trust.



What about trusts?

IC 6-1.1-12-17.9 (continued)

- Property owned by a trust can still potentially have the following deductions: over 65; blind/disabled person; partially disabled veteran; totally disabled veteran; surviving spouse of World War I veteran; standard homestead deduction; and supplemental homestead deduction. As a reminder, the same person cannot claim an over 65 deduction along with deductions other than the mortgage, standard homestead, supplemental homestead, and fertilizer storage deductions.
- **Also, be aware of IC 6-1.1-12-17.8(e):** A trust entitled to a deduction owned by the trust and occupied by an individual is not required to file a statement to apply for the deduction, if: the individual who occupies the real property receives the in a particular year; and the trust remains eligible for the deduction in the following year.
- **[PLEASE SEE THIS DOCUMENT FOR HELPFUL INFORMATION ABOUT TRUSTS AND THEIR ELIGIBILITY FOR DEDUCTIONS!](#)**

<http://in.gov/dlgf/files/160921%20-%20Trust%20Issues%20and%20Guidelines%20For%20Indiana%20County%20Auditors%20Assessor.pdf>



“Taxing” Questions

- Can our county collect on ineligible deductions other than the homestead?
- While it is possible that a taxpayer who received a deduction for which he was not eligible may be liable for the taxes associated with that ineligible deduction, for all but the homestead deduction, statute does **not** provide a mechanism for counties to pursue action against these taxpayers. There is no statutory process outlined for identifying these taxpayers, notifying them of the issue, or collecting these taxes. We do believe, however, that a county could take legal action through a court.



FYI

- Do we have to notify taxpayers that their deductions are being denied or terminated?

If: (1) a property owner files a homestead deduction application (HC10); and (2) the county auditor receiving the application determines that the property owner's property is not eligible for the deduction; the auditor shall inform the property owner of the auditor's determination in writing. If a property owner's property is not eligible for the deduction because the auditor has determined that the property is not the property owner's principal place of residence, the property owner may appeal the auditor's determination to the PTABOA. The auditor shall inform the property owner of the owner's right to appeal to the PTABOA when the auditor informs the property owner of the auditor's determination. IC 6-1.1-12-37(o)

If a deduction for rehabilitated property under IC 6-1.1-12-20 or 24 (note these deductions are being sunsetted) is not granted in full, the county auditor shall notify the applicant by mail. A taxpayer may appeal a ruling that wholly or partially denies the deduction in the same manner that appeals may be taken under IC 6-1.1-15.

- Note: The PTABOA can and should hear appeals concerning an auditor's denial or termination of a deduction if the taxpayer timely files a 133 and the auditor does not agree with the taxpayer.



Veteran Deductions



Codes

- IDVA has discontinued the “Codes.” The 1, 2, 3 system was actually never a part of the property tax deduction statutes. Those numbers were used by IDVA to classify vets based on disability.



Deduction for Veterans with Partial Disability

IC 6-1.1-12-13

- An individual may have \$24,960 deducted from the assessed value of the taxable tangible property that the individual owns, or real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property that the individual is buying under a contract (the contract or a memorandum of the contract must be recorded in the county recorder's office) if ...



Deduction for Veterans with Partial Disability

- 1) the individual served in the military or naval forces of the United States during any of its wars;
- 2) the individual received an honorable discharge;
- 3) the individual has a disability with a service connected disability of 10% or more;
- 4) the individual's disability is evidenced by:
 - (A) a pension certificate, an award of compensation, or a disability compensation check issued by the United States Department of Veterans Affairs; or
 - (B) a certificate of eligibility issued to the individual by the Indiana Department of Veterans' Affairs ("IDVA") after IDVA has determined that the individual's disability qualifies the individual to receive a deduction; and
- 5) the individual:
 - (A) owns the real property, mobile home, or manufactured home; or
 - (B) is buying the real property, mobile home, or manufactured home under contract;
on the date the deduction application is filed.



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

IC 6-1.1-12-14

- An individual may have the sum of \$12,480 deducted from the assessed value of the tangible property that the individual owns (or the real property, mobile home not assessed as real property, or manufactured home not assessed as real property that the individual is buying under a contract that provides that the individual is to pay property taxes on the real property, mobile home, or manufactured home if the contract or a memorandum of the contract is recorded in the county recorder's office) if ...



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

- (1) the individual served in the military or naval forces of the United States for at least 90 days;
- (2) the individual received an honorable discharge;
- (3) the individual either:
 - (A) has a total disability; or
 - (B) is at least 62 years old and has a disability of at least 10% (need not be service-connected);



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

- (4) the individual's disability is evidenced by:
 - (A) a pension certificate or an award of compensation issued by the United States Department of Veterans Affairs; or
 - (B) a certificate of eligibility issued to the individual by the IDVA after it has determined that the individual's disability qualifies him or her to receive this deduction; and
- (5) the individual:
 - (A) owns the real property, mobile home, or manufactured home; or
 - (B) is buying the real property, mobile home, or manufactured home under contract; on the date the deduction application is filed.



Deduction for Totally Disabled Veteran or Partially Disabled Veteran Age 62 and Over

- Starting for 2017 Pay 2018, no one is entitled to this deduction if the assessed value of the individual's Indiana real property, Indiana mobile home not assessed as real property, and Indiana manufactured home not assessed as real property, as shown by the tax duplicate, exceeds \$175,000.
- Through 2016 Pay 2017, no one is entitled to this deduction if the assessed value of the individual's tangible property, as shown by the tax duplicate, exceeds \$143,160.



Applying for the Veterans Deductions

In addition to the statement, the individual shall submit to the county auditor for the auditor's inspection:

- (1) a pension certificate, an award of compensation, or a disability compensation check issued by the United States Department of Veterans Affairs if the individual claims the partially disabled veteran deduction;
- (2) a pension certificate or an award of compensation issued by the United States Department of Veterans Affairs if the individual claims the totally disabled veteran; or
- (3) the appropriate certificate of eligibility issued to the individual by IDVA if the individual claims either deduction.
 - If the individual claiming the deduction is under guardianship, the guardian shall file the statement.
 - The statement must contain the record number and page where the contract or memorandum of the contract is recorded, if applicable.



Surviving Spouses

- The surviving spouse of a veteran may receive these deductions if the veteran satisfied the eligibility requirements of these deductions at the time of his or her death and the surviving spouse owns or is buying the property under contract at the time the deduction application is filed. The surviving spouse is entitled to the deduction regardless of whether the property for which the deduction is claimed was owned by the deceased veteran or the surviving spouse before the deceased veteran's death.
- If a deceased veteran's surviving spouse is claiming a veteran deduction, the surviving spouse shall provide the documentation necessary to establish that at the time of death the deceased veteran satisfied the requirements of IC 6-1.1-12-13 or IC 6-1.1-12-14, whichever applies.



Deductions for World War I Veterans

- The property tax deduction for World War I vets has been discontinued starting in 2016. However, the deduction for surviving spouses of World War I vets is still in effect.



Excise Taxes

- If there is an unused portion of a veteran's deduction remaining after the application of the deduction to a veteran's real property, the unused portion may be applied first toward any personal property taxes and then to any excise taxes the veteran owes.
- Indiana Code 6-6-5-5.2 enables veterans (or their surviving spouses) who do not own or are not buying property under contract that qualifies for a veteran deduction to receive a credit toward vehicle excise taxes. This statute applies to a registration year beginning after December 31, 2013 and was effective July 1, 2013.
- Thus, if a vet literally owns no property (or is not buying property under recorded contract) or if the only property he owns exceeds the assessed value threshold, then he does not own land that qualifies for a vet deduction and thus may qualify for the "excise-only" option. However, if the vet does qualify for the partially disabled vet deduction but does not qualify for the totally disabled vet deduction because of the assessed value of the property, then the vet may only apply any unused portion of the partially disabled vet deduction to excise taxes. He cannot also have the "excise-only" option.



Excise Taxes

- The Department has prescribed an affidavit template, which is available at:
http://www.in.gov/dlgf/files/Auditor_Affidavit.doc.
- The maximum number of motor vehicles for which an individual may claim a credit is two. This credit must be claimed on a form prescribed by the bureau of motor vehicles. An individual claiming the credit must attach to the form the affidavit.



Frequently Asked Questions

Can a veteran receive more than one veteran's deduction?

- The total amount of the deductions combined cannot exceed the maximum established by statute. In other words, if the veteran owns two properties in a county, he can receive a deduction on both properties, but these deductions combined cannot exceed \$24,960 or \$12,480 (or possibly \$37,440). You can view this as either two deductions or one deduction split between properties. The application should list the properties to which the vet wants the deduction applied.



Frequently Asked Questions

What if two veterans own a property?

- If two individuals, both eligible veterans, own a property, then each is entitled to a full deduction.

What if a veteran owns only personal property – can he still receive the deduction or must he own real property first?

- The veteran's deductions statutes say that the deduction is made to the assessed value of the taxable tangible property that the individual owns. Thus, if the veteran owns only personal property, the deduction can be applied to this property.



Deductions on Mobile Homes



Deductions on Mobile Homes

Can a deduction eliminate a taxpayer's liability on a mobile or manufactured home?

- No. IC 6-1.1-12-40.5 provides that the total deductions applicable to a mobile/manufactured home, not assessed as real estate, may not exceed one-half of the assessed valuation of the mobile/manufactured home (this does not apply to the supplemental homestead deduction!)

- **IC 6-1.1-12-40.5**

Limits on deductions for mobile or manufactured homes

Sec. 40.5. Notwithstanding any other provision, the sum of the deductions provided under this chapter to a mobile home that is not assessed as real property or to a manufactured home that is not assessed as real property may not exceed one-half (1/2) of the assessed value of the mobile home or manufactured home.



Deductions on Mobile Homes

- The homestead deduction statute and IC 6-1.1-12-40.5 seem to provide conflicting information regarding the maximum allowable deduction and the allocation of the deduction between the mobile home and real estate.
- IC 6-1.1-12-37: Except as provided in section 40.5 of this chapter, the total amount of the deduction that a person may receive under this section for a particular year is the lesser of: (1) sixty percent (60%) of the assessed value of the real property, mobile home not assessed as real property, or manufactured home not assessed as real property; or (2) forty-five thousand dollars (\$45,000).



Deductions on Mobile Homes

- IC 6-1.1-12-40.5: Notwithstanding any other provision, the sum of the deductions provided under this chapter to a mobile home that is not assessed as real property or to a manufactured home that is not assessed as real property may not exceed one-half (1/2) of the assessed value of the mobile home or manufactured home.
- *(Please note that the supplemental homestead deduction is not subject to the 50% limit!)*



Deductions on Mobile Homes

50 IAC 24-3-5 Limitation on homestead standard deduction

- (c) With respect to a personal property mobile home and up to one (1) acre of the land surrounding the mobile home owned by an individual, the overall sum of the deduction is limited to sixty percent (60%) of the combined assessed value of the homestead, that is, mobile home and qualified land. The county auditor shall allocate the deduction as follows:
 - 1) A maximum of fifty percent (50%) of the assessed value of the personal property mobile home.
 - 2) The remainder of the deduction shall be applied to the assessed value of the qualified land.
 - 3) The deduction shall be applied to the personal property mobile home and qualified land before all other deductions.
- To follow the statutory limitations set in both of these sections of the Indiana Code, the Department recommends that the homestead deduction be applied to the personal property mobile home and the land surrounding it up to one acre as follows:



Deductions on Mobile Homes

- Personal Property Mobile Home Assessed Value \$15,000
- Land Assessed Value (Same Owner) + \$5,000
- Homestead (Personal Property Mobile Home and Land up to 1 acre)
• Assessed Value = \$20,000
- Per IC 6-1.1-12-37, 60% deduction of homestead = \$12,000
- Allocation of Deduction:
- Per IC 6-1.1-12-40.5, maximum deductions of 50% of
Personal Property Mobile Home Assessed Value = \$7,500
- Remainder of deduction applied to Assessed Value of Land
• (\$12,000 - \$7,500) = \$4,500
- This leaves us with a net homestead AV of \$8,000
(\$7,500 attributable to the mobile home and \$500 to the land).
- Supplemental homestead deduction of 35% would be
applied to this \$8,000 (\$2,800).
- Here a deduction could potentially eliminate the taxpayer's liability on the real estate.



Frequently Asked Questions

- Our county's vendor's software is set-up so that if all of a veteran's deduction cannot be applied to a mobile home, we apply it all toward excise taxes. Is this acceptable?
- If even a portion of a veteran's deduction (or any other deduction) can be applied to a mobile home before it reaches the 50% limit or to the real estate on which the mobile home sits (if owned by the same party), then either the software must be modified or the county will have to make manual adjustments to the data so that the mobile home receives as much of the deductions for which it is eligible as possible.



2016 Legislative Changes



2016 Legislative Changes

Deduction for Homestead Donated to Veteran

- SEA 304 introduces a new deduction at IC 6-1.1-12-14.5, effective January 1, 2017 (the 2017 Pay 2018 cycle), which allows a veteran to claim a deduction from the assessed value of the individual's homestead if:
 - (1) the individual served in the military or naval forces of the United States for at least 90 days;
 - (2) the individual received an honorable discharge;
 - (3) the individual has a disability of at least 50%;
 - (4) the individual's disability is evidenced by:
 - (A) a pension certificate or an award of compensation issued by the United States Department of Veterans Affairs; or
 - (B) a certificate of eligibility issued to the individual by the Indiana Department of Veterans' Affairs ("IDVA") after IDVA has determined that the individual's disability qualifies the individual to receive a deduction under this new statute; and
 - (5) the homestead was conveyed without charge to the individual who is the owner of the homestead by an organization that is exempt from income taxation under the federal Internal Revenue Code.



2016 Legislative Changes

Deduction for Homestead Donated to Veteran, continued

- The amount of the deduction is determined as follows:
 - (1) If the individual is totally disabled, the deduction is equal to 100% of the assessed value of the homestead.
 - (2) If the individual has a disability of at least 90% but the individual is not totally disabled, the deduction is equal to 90% of the assessed value of the homestead.
 - (3) If the individual has a disability of at least 80% but less than 90%, the deduction is equal to 80% of the assessed value of the homestead.
 - (4) If the individual has a disability of at least 70% but less than 80%, the deduction is equal to 70% of the assessed value of the homestead.
 - (5) If the individual has a disability of at least 60% but less than 70%, the deduction is equal to 60% of the assessed value of the homestead.
 - (6) If the individual has a disability of at least 50% but less than 60%, the deduction is equal to 50% of the assessed value of the homestead.
- “Homestead” has the meaning set forth in IC 6-1.1-12-37, the homestead deduction statute (dwelling and immediately surrounding acre).



2016 Legislative Changes

Deduction for Homestead Donated to Veteran, continued

- A veteran who claims this deduction for an assessment date may not also claim a “partially disabled veteran deduction” or “totally disabled veteran deduction” under IC 6-1.1-12-13 or 14, respectively, for that same assessment date. Also, an unused portion of this deduction, if any, **CANNOT** be applied to excise taxes.
- A veteran claiming this deduction must do so on a form prescribed by the Department. The Department will update State Form 12662 in late 2016 to include this deduction.



2016 Legislative Changes

Homestead Deduction

- SEA 304 makes an amendment to the homestead deduction statute (IC 6-1.1-12-37), effective January 1, 2017 (the 2017 Pay 2018 cycle). The amendment concerns the provision whereby a person who is serving on active duty in any branch of the armed forces of the United States and is ordered to transfer to a location outside Indiana can, under certain circumstances, continue to claim the homestead deduction during the person's absence. Specifically, the property continues to qualify as a homestead even if the property is leased while the individual is away from Indiana and is serving on active duty, if the individual has lived at the property at any time during the past 10 years. Otherwise, the property ceases to qualify as a homestead if it is leased while the individual is away from Indiana. Under current law, by contrast, there are no exceptions to the idea that the property ceases to qualify for the deduction if it is leased.



2016 Legislative Changes

Homestead Deduction, continued

- HEA 1273 and HEA 1081 both make a variety of technical changes to the homestead deduction statute (effective January 1, 2017 [the 2017 Pay 2018 cycle]). Because these changes do not substantively alter the operation of the homestead deduction, the Department will not elaborate on these changes here. Specific questions about these changes may be directed to the contact below.



2016 Legislative Changes

Ineligible Homestead Deduction Procedures

- HEA 1273 amends IC 6-1.1-36-17, which governs the procedures for handling an ineligible homestead deduction. The amendment is effective July 1, 2016.
- Most significantly, auditors now have discretion to seek the taxes and penalty corresponding to an ineligible homestead deduction. Moreover, if an auditor chooses to seek the taxes and penalty, the auditor may do so only within three years after the date on which taxes for the particular year are first due. An auditor choosing to seek the taxes and penalty must issue a notice of taxes, interest, and penalties due to the owner that improperly received the deduction and include a statement that the payment is to be made payable to the county auditor.



2016 Legislative Changes

Ineligible Homestead Deduction Procedures, continued

- The notice must require full payment of the amount owed within:
 - (1) one year with no penalties and interest, if:
 - (A) the taxpayer did not comply with the requirement to return the homestead verification form (“pink form”);
and
 - (B) the county auditor allowed the taxpayer to receive the homestead deduction in error; or
 - (2) 30 days, if subdivision (1) does not apply.



2016 Legislative Changes

Ineligible Homestead Deduction Procedures, continued

- By way of example, if John did not return a verification form for his property and the county erroneously left the deduction on the property anyway, John would have one year to repay the taxes if the auditor chooses to seek those taxes from John. However, John would NOT owe the 10% civil penalty. Conversely, if Bob returned a verification form for his property indicating his eligibility for the deduction and it turns out he was not in fact eligible, and if the auditor chooses to seek the taxes and penalty from Bob, Bob would have 30 days to pay the amount due (taxes and 10% civil penalty). What is more difficult to classify under this new amendment is the situation where a person did return a verification form indicating his ineligibility for the deduction, but the county erroneously leaves the deduction in place nonetheless. Under those circumstances, the Department would encourage auditors to use their discretion and NOT seek the taxes and penalty from such a person.
- The Department strongly recommends that auditors and their staffs read through IC 6-1.1-36-17 in its entirety to fully understand the process for handling an ineligible homestead deduction.



2016 Legislative Changes

Abatements

- HEA 1273 amends several abatement statutes.
- Under IC 6-1.1-12.1-5, a taxpayer who fails to timely apply for the rehabilitated property abatement may file between January 1 (rather than March 1) and May 10 of a subsequent year. Moreover, if a designating body fails either to set the number of years for the abatement or the abatement schedule, the auditor must return the application to the designating body so it can remediate the error. These changes are effective July 1, 2016.
- Under IC 6-1.1-12.1-5.3, a taxpayer who fails to timely apply for a vacant building abatement may file between January 1 (rather than March 1) and May 10 of a subsequent year. This change is effective retroactive to January 1, 2016.



2016 Legislative Changes

Abatements, continued

- Under IC 6-1.1-40-11, a taxpayer seeking to apply for a deduction for manufacturing equipment in a maritime opportunity district must do so between January 1 (rather than March 10) and May 15 of that year. This amendment is effective retroactive to January 2, 2016.
- Under IC 6-1.1-44-6, a taxpayer seeking to apply for a deduction for purchases of investment property by manufacturers of recycled components must file the application between January 1 (rather than March 10) and May 15 of that year. A person that obtains a filing extension for the year in which the investment property is installed must file the application between January 1 (rather than March 10) and the extended due date for that year. This amendment is effective retroactive to January 2, 2016.



2016 Legislative Changes

Property Tax Disclosure Form

- HEA 1273 repeals IC 6-1.1-36-18, which was introduced in 2015 and implemented a county-optional “property tax disclosure” that, if adopted by a county, would have required a party to disclose any delinquent taxes when applying for certain benefits, such as property tax deductions or exemptions.

Sunset of Certain Deductions

- SEA 309 sunsets certain deductions. No new deductions for the rehabilitation of residential property under IC 6-1.1-12-18 may be granted after the January 1, 2017 assessment date. SEA 309-2016 also amends IC 6-1.1-12-22 so that no new deductions for the rehabilitation of historic property (a building or structure erected at least 50 years before the date of the deduction application) may be granted after the January 1, 2017 assessment date. Corresponding changes are made to IC 6-1.1-12-19, 20, 23, 24, 25, 46, IC 6-1.1-12.1-6, and IC 6-1.1-42-22.



SDF Issues



SDF Issues

- One of the most common complaints the Department receives concerning SDFs is inconsistency among counties in the way the forms are processed. The statute below suggests that while there may be some variation from county to county, there should not be substantial departure from state law:

IC 6-1.1-5.5-3

- **Sales disclosure form filing and review process; forwarding and use of forms; confidential information; conveyance of multiple parcels**
- (f) County assessing officials, county auditors, and other local officials may not establish procedures or requirements concerning sales disclosure forms that substantially differ from the procedures and requirements of this chapter.



Frequently Asked Questions

Can we make every person recording a deed file an SDF? If not, for those parties that need not file an SDF, can we make them file a county-prescribed form?

- No, you cannot make every party recording a deed file an SDF. Only certain circumstances necessitate an SDF. As for imposing a county-prescribed form, this is probably more of a local decision counties make with the advice and counsel of their legal counsel. Counties should refrain from making the process of recording deeds or transferring property unreasonably burdensome. **ONLY SDFs CAN BE USED FOR TRENDING/RATIO STUDIES!**



Frequently Asked Questions

- Consistency is the major issue! Examples (as alleged by ILTA):
- Whether or not the transaction is exempt from SDF, some counties always require SDF. **An SDF can only be required for certain kinds of transfers!**
- Some counties require SDF on easements. **Only certain kinds of easement transfers require an SDF.**
- Some counties require SDF and fee in divorce and some do not. **Response: If you have a document for a compulsory transaction involving divorce, an SDF is required but there is no fee.**



Frequently Asked Questions

- Some counties require handwritten SDF and some require computer/electronic submission. **Response: A county may choose to accept longhand submissions. In the event that a form is submitted longhand, the county assessor's office will enter the data in the database.**
- Some counties will only take black ink. **Response: Black ink is the preferred type of ink to be used, as other colors can cause problems for scanning purposes, so the form should (not must) be either typed or printed in black ink. However, the signatures on page 2 do not have to be in black ink.**



SDF Issues

- Some counties require the signature of a spouse on SDF even though spouse is not/never has been on the deed/title.
Response: Only the spouse completing the SDF needs to sign the form. However, if one spouse wishes to use the SDF to complete the application for the homestead standard deduction, both spouses' identification numbers must be provided regardless of who is the owner of the property. Married couples are limited to one homestead standard deduction and so the identification numbers of both spouses are important.



SDF Issues

- What ID is allowed on SDF for buyer? Last 5 of driver's license, ID, or other number—some counties will not accept out of state ID. The applicant provides the last five digits of his Social Security Number. If he does not have a Social Security Number, he would provide the last five digits of his driver's license number or state ID. If he doesn't have any of that documentation, he could provide the last five digits of a control number issued by the US federal government (e.g., visa or green card).



SDF Issues

- Inconsistency in filing any tax deductions on the SDF as some counties allow for deductions to be filed through the SDF and other counties will not allow any deductions through the SDF—not even the homestead. Moreover, some counties require the applicant to physically come in and present proof of eligibility despite the form being filled out correctly.

Response: An SDF can be used to apply for certain deductions, including the homestead. If the SDF is validly completed, the auditor must allow the deduction (see IC 6-1.1-12-44).



SDF Issues

- The traditional deduction application forms have to be dated and signed in the year for which the applicant is seeking the deduction and filed or postmarked by the following January 5 to the auditor. What about sales disclosure forms? The statute below provides that an SDF serving as an application for a deduction must be submitted to the assessor on or before December 31 and filed with the county auditor. Thus, the SDF must at least be submitted to the assessor by December 31. If it doesn't make its way to the auditor until after December 31, this isn't a problem. Notice the statute says that if "the county auditor receives in a calendar year a sales disclosure form," "the county auditor shall apply the deduction to the homestead for property taxes first due and payable in the calendar year for which the homestead qualifies."
 - IC 6-1.1-12-44 (EXCERPT)
 - Sales disclosure form serves as application for certain deductions; limitations

Sec. 44. (a) A sales disclosure form under IC 6-1.1-5.5:

 - (1) that is submitted:**
 - (A) as a paper form; or**
 - (B) electronically;**

on or before December 31 of a calendar year to the county assessor by or on behalf of the purchaser of a homestead (as defined in section 37 of this chapter) assessed as real property;
 - (2) that is accurate and complete;**
 - (3) that is approved by the county assessor as eligible for filing with the county auditor; and**
 - (4) that is filed:**
 - (A) as a paper form; or**
 - (B) electronically;**

with the county auditor by or on behalf of the purchaser;



Thank you!

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