



New Legislation 2016

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1



In this presentation:

- Assessment issues
- Appeals
- Deductions
- Exemptions
- Budget issues
- School issues
- Fire protection territories
- Miscellaneous topics

2



Assessment Issues

- **Reassessment of Project Using Public Funds**
- HEA 1294 introduces IC 6-1.1-4-4.8, effective July 1, 2016. This new statute addresses reassessment of certain “covered projects,” meaning the construction, remodeling, redevelopment, rehabilitation, or repair of any building, structure, or other real property improvement if:
 - (1) public funds (generally meaning money derived from the revenue sources of the governmental body and deposited into the general or a special fund of the governmental body) are used by a private person in whole or in part to carry out the project; and
 - (2) after the completion of the project, the building, structure, or other real property improvement is owned by a private person.

3



Assessment Issues

- **Reassessment of Project Using Public Funds, continued**
- Upon the completion of a covered project, the state agency (generally meaning the authority, board, branch, commission, committee, department, division, or other instrumentality of the executive, including the administrative, department of state government) or political subdivision providing the public funds to carry out the covered project must provide notice of the completion of the covered project to the county assessor of the county in which the building, structure, or other real property improvement is located.

4



Assessment Issues

- **Reassessment of Project Using Public Funds, continued**
- Notwithstanding the reassessment schedule in the county's reassessment plan, after receiving notice of the completion of a covered project, the county assessor must reassess the building, structure, or other real property improvement by carrying out a physical inspection of that property. The reassessment must be completed on or before the earlier of:
 - (1) the date required under the county's reassessment plan; or
 - (2) January 1 of the year after the year in which the county assessor receives notice of the completion of a covered project.

5



Assessment Issues

- **"Big Box" Store Assessment**
- HEA 1290 repeals IC 6-1.1-4-43 and IC 6-1.1-4-44, two provisions introduced in 2015 to govern the assessment of "big box" stores (see SEA 436-2015). The General Assembly has now introduced the concept of market segmentation to assist in the assessment of "big box" stores.

6



Assessment Issues

- **Personal Property Audits**
- SEA 308 amends IC 6-1.1-3-14, effective July 1, 2016. Now a township assessor, or the county assessor if there is no township assessor, *may*, rather than shall, examine and verify or allow a contractor under IC 6-1.1-36-12 to examine and verify the accuracy of a personal property return *if the assessor considers the examination and verification of that personal property return to be useful to the accuracy of the assessment process*. It is still the case that if appropriate, the assessor or contractor under IC 6-1.1-36-12 must compare a return with the books of the taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer.

7



Assessment Issues

- **Personal Property Audits, continued**
- SEA 308 makes a corresponding change to IC 6-1.1-36-12, effective July 1, 2016, to make clear that a contract between a county and assessment vendor may require the contractor to examine and verify the accuracy of a personal property return filed by a taxpayer with the county assessor or a township assessor, if the contractor considers the examination and verification of that personal property return to be useful to the accuracy of the assessment process; and compare a return with the books of the taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer, if the contractor considers the comparison to be useful to the accuracy of the assessment process.

8



Assessment Issues

- **Agricultural Issues**
- SEA 308 amends IC 6-1.1-4-13 so that the soil productivity factors used for the March 1, 2011 assessment date will be used for the January 1, 2016 assessment date *and all future assessment dates*.
- SEA 308 amends IC 6-1.1-4-13.2 (effective retroactive to January 1, 2016) by deleting language introduced in 2015 that set the agricultural base rate at \$2,050 plus the assessed value growth quotient.
- SEA 308 amends IC 6-1.1-4-4.5 to introduce a new formula for determining the agricultural base rate. This amendment is effective retroactive to January 1, 2016, meaning this new formula is first effective for the January 1, 2016 assessment date.

9



Assessment Issues

- **Agricultural Issues, continued**

The new formula is as follows:

- (1) Use a six-year rolling average adjusted under subdivision (3) below instead of a four-year rolling average.
- (2) Use the data from the six most recent years preceding the year in which the assessment date occurs for which data is available, before one of those six years is eliminated under subdivision (3) when determining the rolling average.
- (3) Eliminate in the calculation of the rolling average the year among the six years for which the highest market value in use of agricultural land is determined.
- (4) After determining a preliminary base rate that would apply for the assessment date without applying the adjustment under this subdivision, the Department shall adjust the preliminary base rate as follows:
 - (A) If the preliminary base rate for the assessment date would be at least 10% greater than the final base rate determined for the preceding assessment date, a capitalization rate of 8% must be used to determine the final base rate.
 - (B) If the preliminary base rate for the assessment date would be at least 10% less than the final base rate determined for the preceding assessment date, a capitalization rate of 6% must be used to determine the final base rate.
 - (C) If neither clause (A) nor clause (B) applies, a capitalization rate of 7% must be used to determine the final base rate.
 - (D) In the case of a market value in use for a year that is used in the calculation of the six-year rolling average under subdivision (1) for purposes of determining the base rate for the assessment date:
 - (i) that market value in use must be recalculated by using the capitalization rate determined under clauses (A) through (C) for the calculation of the base rate for the assessment date; and
 - (ii) the market value in use recalculated under item (i) must be used in the calculation of the six-year rolling average under subdivision (1).

10



Assessment Issues

- **Agricultural Issues, continued**

SEA 308 amends IC 6-1.1-6-14, IC 6-1.1-6.2-9, and IC 6-1.1-6.7-9 concerning the assessment rate per acre of land classified as native forest land, a forest plantation, or wildlands; a windbreak; or a filter strip, respectively. Such land must be assessed as follows:

(1) At \$13.29 per acre for general property taxation purposes, for the January 1, 2017, assessment date.

(2) At the amount per acre determined in the following STEPS for general property taxation purposes, for an assessment date after January 1, 2017:

STEP ONE: Determine the amount per acre under this statute for the immediately preceding assessment date.

STEP TWO: Multiply the STEP ONE amount by the result of:

(A) one; plus

(B) the annual percentage change in the Consumer Price Index for All Urban Consumers published by the federal Bureau of Labor Statistics for the calendar year preceding the calendar year before the assessment date.

It is still the case that ditch assessments on windbreaks and filter strips must be paid. ¹¹



Appeals

- **Review of Exemption Applications**

- HEA 1068 amends IC 6-1.1-11-7 so that if a taxpayer's exemption application is disapproved by the county property tax assessment board of appeals ("PTABOA") and the taxpayer desires a review of that decision, the taxpayer must, within 45 days (rather than 30 days) after the notice is mailed, petition the Indiana Board of Tax Review ("IBTR").

- Moreover, under IC 6-1.1-11-7(d), if the PTABOA fails to approve or disapprove an exemption application within 180 days after the owner files an application for the exemption, the owner may, before the PTABOA approves or disapproves the exemption application, petition the IBTR to approve or disapprove the exemption application as authorized under IC 6-1.1-15-3(g). Such a petition must be conducted in the same manner as appeals under IC 6-1.1-15-4 through IC 6-1.1-15-8.

- HEA 1068 makes a corresponding amendment to IC 6-1.1-15-3 so that if an owner petitions the IBTR under IC 6-1.1-11-7(d) (see above), IBTR is authorized to approve or disapprove an exemption application previously submitted to a PTABOA under IC 6-1.1-11-6 and that is not approved or disapproved by the PTABOA within 180 days after the owner filed the application for the exemption. The county assessor is a party to a petition to the IBTR under IC 6-1.1-11-7(d).

¹²



Appeals

- **Correction of Error Appeals**
- HEA 1068 amends IC 6-1.1-15-12 so that if the PTABOA fails to issue a determination within 180 days after a taxpayer's petition to correct errors (Form 133) is filed with the county auditor, the taxpayer may, before a determination is issued by the PTABOA, petition the IBTR to correct errors in a final administrative determination.

13



Appeals

- **Property Tax Assessment Appeals Fund**
- HEA 1273 amends IC 6-1.1-15-10.5, which introduced a property tax assessment appeals fund in 2015 legislation.
- To reiterate, IC 6-1.1-15-10.5 allows the fiscal officer of a taxing unit to establish a property tax assessment appeals fund. The source of money for the fund will be property tax receipts attributable to an increase in the taxing unit's tax rate caused by appeals that reduce the certified net assessed value in the taxing unit. Now, however, a taxing unit may transfer property tax receipts from a fund that is not a debt service fund to the unit's property tax assessment appeals fund. In other words, this fund will not have a tax rate associated with it; money deposited into the fund must be transferred from the unit's other funds. Again, a taxing unit may not transfer property tax receipts from a debt service fund to its property tax assessment appeals fund.

14



Appeals

- **Property Tax Assessment Appeals Fund, continued**
- Money in the fund can only be used to pay for expenses the county assessor incurs in defending an appeal of property located in the taxing unit and for refunds resulting from a property tax appeal (but not a correction of error). The balance in the fund may not exceed 5% of the amount budgeted by the taxing unit in a particular year.
- Money transferred into this fund is not considered miscellaneous revenue. As such, the taxing unit and the Department must disregard any balance in the fund in determining taxing unit's tax levy, tax rate, and budget (except appropriations for funding appeals and refunds) for a particular calendar year.
- The Department emphasizes that under statute, property tax receipts that qualify as levy excess under IC 6-1.1-18.5-17 and IC 20-44-3 must be treated as levy excess and are not eligible for transfer to a taxing unit's property tax assessment appeals fund.

15



Appeals

- **Assessor Reimbursement for Appeals**
- SEA 308 introduces IC 6-1.1-18-23. This new provision allows a county fiscal body (normally the county council) to adopt an ordinance to provide that the county assessor be reimbursed for certain costs incurred by the county assessor in defending an appeal under IC 6-1.1-15 that is "uncommon and infrequent in the normal course of defending appeals" under IC 6-1.1-15. Costs include appraisal and expert witness fees incurred in defending an appeal.
- The ordinance must specify:
 - 1) the appeal or appeals and why they are uncommon and infrequent;
 - 2) a detailed list of expenses incurred by fund and by parcel number; and
 - 3) that the county auditor will deduct the expenses listed in the ordinance from property tax receipts collected in the taxing district in which the parcel is located before apportioning receipts to taxing units for the next semiannual settlement under IC 6-1.1-27.

16



Appeals

- **Assessor Reimbursement for Appeals, continued**
- Property tax receipts that are collected under this statute must be deposited in the county fund that incurred the initial expense.
- Expenses for an appeal that are deducted from a civil taxing unit's property tax revenue under this statute are not considered to be part of a payment of a refund resulting from an appeal for purposes of a maximum permissible property tax levy appeal under IC 6-1.1-18.5-16. In other words, a unit whose tax receipts are intercepted by the auditor under this statute may NOT point to that revenue loss as the basis for a shortfall appeal under IC 6-1.1-18.5-16.

17



Appeals

- **Appeals by Holders of Tax Sale Certificates**
- HEA 1290 adds IC 6-1.1-15-0.7, which provides that a holder of a tax sale certificate under IC 6-1.1-24 does not have an interest in tangible property for purposes of obtaining a review or bringing an appeal of an assessment of property under IC 6-1.1-15.

18



Appeals

- **Legislation Authorizing Multiple County PTABOs**
- SEA 87 authorizes the creation of multiple county PTABOs starting January 1, 2017.

- **Establishment**
- Specifically, SEA 87 creates IC 6-1.1-28-0.1, which provides that the legislative bodies (normally the county commissioners) of two or more counties may adopt substantially similar ordinances to establish a multiple county PTABOA. The multiple county PTABOA must consist of the entire geographic area of all participating counties.

19



Appeals

- **Legislation Authorizing Multiple County PTABOs, continued**
- **Membership**
- Under IC 6-1.1-28-0.2, each multiple county PTABOA must consist of either of the following number of members:
 - 1) Three members, not more than two of whom may be from the same political party.
 - 2) Five members, not more than three of whom may be from the same political party.
- The ordinance must specify the number of members of the multiple county PTABOA.

- Each member of a multiple county PTABOA must be at least 18 and knowledgeable in the valuation of property. A majority of the members of a multiple county PTABOA must have attained the certification of a level two or a level three assessor-appraiser under IC 6-1.1-35.5.

- The following individuals may not be members of a multiple county PTABOA:
 - 1) An elected county official.
 - 2) An employee of a county or township that is in the geographic area within the jurisdiction of the multiple county PTABOA.
 - 3) An appraiser (as defined in IC 6-1.1-31.7-1) in a county that is in the geographic area within the jurisdiction of the multiple county PTABOA.

20



Appeals

- **Legislation Authorizing Multiple County PTABOs, continued**
- **Membership, continued**
- Under IC 6-1.1-28-0.4, the fiscal bodies of the counties that establish a multiple county PTABOA must adopt substantially similar ordinances to appoint the members of the multiple county PTABOA subject to the qualifications and requirements set forth above. The term of a member of a multiple county PTABOA is one year and begins January 1.
- A member is eligible for reappointment. If the term of a member expires, the member is not reappointed, and a successor is not appointed, the term of the member continues until a successor is appointed.
- Under IC 6-1.1-28-0.3, the members of a multiple county PTABOA are to receive compensation as determined jointly by the fiscal bodies of each participating county. In the case of a multiple county PTABOA, the costs and payment of the expenses and per diem compensation must be apportioned among the participating counties in the manner specified in the establishing ordinances (IC 6-1.1-28-8). Moreover, the participating counties must jointly determine the number and compensation of field representatives and hearing examiners to be employed by each county to promptly and efficiently perform the duties and functions of the multiple county PTABOA (IC 6-1.1-28-10).
- The auditor for the county required to provide administrative support (see below) must administer and file the oath for each member (IC 6-1.1-28-2).

21



Appeals

- **Legislation Authorizing Multiple County PTABOs, continued**
- **Role of Assessors**
- Under IC 6-1.1-28-0.5, the county assessor for the county that has the greatest population of the counties participating in a multiple county PTABOA must provide administrative support to the multiple county PTABOA. The ordinances establishing the multiple county PTABOA must specify the manner and amount of reimbursement that a county assessor is entitled to receive from each participating county for providing administrative support. A county assessor's office that provides administrative support shall: (1) coordinate with the county assessors of all counties within the jurisdiction of the multiple county PTABOA to perform necessary functions concerning appeals and correction of errors initiated by a taxpayer under IC 6-1.1-15; (2) keep full and accurate minutes of the proceedings of the multiple county PTABOA; and (3) perform other necessary duties.

22



Appeals

- **Legislation Authorizing Multiple County PTABOs, continued**
- **Duties of Multiple County PTABOs**
- Under IC 6-1.1-28-0.6, a multiple county PTABOA must assume the authorities and duties as the PTABOA for property located in the geographic area of the counties participating in the multiple county PTABOA. The multiple county PTABOA must assume these authorities and duties on the date specified in the establishing ordinances.
- A county PTABOA for a county that participates in a multiple county PTABOA must transfer records relating to proceedings of that PTABOA to the multiple county PTABOA and must stay the proceedings on any:
 - 1) notices of review;
 - 2) exemption applications;
 - 3) claims for a deduction;
 - 4) motions;
 - 5) requests; and
 - 6) similar administrative pleadings;filed or pending with that PTABOA pending further action upon transfer to the multiple county PTABOA. A multiple county PTABOA must docket matters stayed as soon as practicable after the multiple county PTABOA is established. Any time limitation that applies to a proceeding before a county PTABOA that is stayed is tolled beginning after the multiple county PTABOA is established and until the proceeding is docketed with the multiple county PTABOA.

23



Appeals

- **Legislation Authorizing Multiple County PTABOs, continued**
- **Duties of Multiple County PTABOs, continued**
- Indiana Code 6-1.1-28-0.8 provides that a multiple county PTABOA has all the rights and powers necessary or convenient to carry out IC 6-1.1-28.
- A multiple county PTABOA may meet in a location as specified in the establishing ordinances (IC 6-1.1-28-4).

24



Appeals

- **Legislation Authorizing Multiple County PTABOAs, continued**
- **Notice of Annual Session**
- Under IC 6-1.1-28-0.7, the county assessor of the county responsible for administration of a multiple county PTABOA must give notice of the time, date, place, and purpose of each annual session of the multiple county PTABOA. The county assessor must give the notice two weeks before the first meeting by:
 - 1) publication of the notice within the geographic area over which the multiple county PTABOA has jurisdiction in the same manner as political subdivisions subject to IC 5-3-1-4(e) are required to publish notice; and
 - 2) posting of the notice on the county assessor's Internet website.
- **Miscellaneous**
- SEA 87 makes a variety of corresponding amendments to other statutes.

25



Deductions

- **Veteran Deductions**
- SEA 304 makes various changes concerning property tax deductions for disabled veterans.
- **Totally Disabled Veteran Deduction**
- First, IC 6-1.1-12-14 is amended, effective January 1, 2017 (the 2017 Pay 2018 cycle), so that a disabled veteran is not eligible for the "totally disabled" veteran deduction if the assessed value of the veteran's Indiana real property, Indiana mobile home not assessed as real property, and Indiana manufactured home not assessed as real property exceeds \$175,000. Under current law, by contrast, the veteran would not be eligible for this deduction if the assessed value of all of the veteran's "tangible" property exceeds \$143,160. So the amendment both raises the assessed value limit and counts only certain types of Indiana property toward that limit. This particular deduction is available to veterans who are either totally disabled (need not be service-connected) or who are at least 62 years of age with a disability of at least 10% (need not be service-connected). More veterans should qualify for this deduction than before. Veterans previously ineligible for the deduction must apply for it to receive it starting with the 2017 Pay 2018 cycle.

26



Deductions

- **Veteran Deductions, continued**
- **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.

27



Deductions

- **Veteran Deductions, continued**
- **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).**

28



Deductions

- **Veteran Deductions, continued**
- **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.

29



Deductions

- **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.

30



Deductions

- **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.

31



Deductions

- **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.

32



Deductions

- **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.

33



Deductions

- **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.

34



Deductions

- **Deductions on Property Owned by a Trust**
- SEA 371 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.

35



Deductions

- **Deductions on Property Owned by a Trust, 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.

36



Deductions

- **Heritage Barn Deduction**
- HEA 1215 amends IC 6-1.1-12-26.2 concerning the heritage barn deduction. The amendment is effective July 1, 2016.
- 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.

37



Deductions

- **Heritage Barn Deduction, continued**
- 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.

38



Deductions

- **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.

39



Deductions

- **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.

40



Deductions

- **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.

41



Exemptions

- **Charges and Fees on Exempt Property**
- HEA 1180 introduces provisions concerning charges, fees, and payments in lieu of taxes (“PILOTS”) for a “qualified property,” meaning property that:
 - (1) is located in a tax increment allocation area (or “TIF District”) and:
 - (A) was located in the tax increment allocation area before the designation of the area and the property has been continuously used since the date the area was designated for a tax exempt purpose; or
 - (B) was donated for a tax exempt purpose; and
 - (2) is exempt from property taxation.
- The changes are effective July 1, 2016.
- Because of the breadth of this amendment, addressing its entirety here is impractical. Interested parties are encouraged to review the Department’s memorandum at [http://www.in.gov/dlgf/files/pdf/160330 - Schaafsma Memo - 2016 Legislative Changes Affecting Property Tax Exemptions.pdf](http://www.in.gov/dlgf/files/pdf/160330_-_Schaafsma_Memo_-_2016_Legislative_Changes_Affecting_Property_Tax_Exemptions.pdf).

42



Exemptions

- **Homeowners' Association Personal Property**
- HEA 1273 introduces IC 6-1.1-10-37.8, and which is effective retroactive to January 1, 2016. This provision provides that for assessment dates after December 31, 2015, tangible personal property is exempt from property taxation if that tangible personal property:
 - (1) is owned by a homeowners association (as defined in IC 32-25.5-2-4); and
 - (2) is held by the homeowners association for the use, benefit, or enjoyment of members of the homeowners association.
- Again, this exemption will first apply for the 2016 Pay 2017 cycle.

43



Exemptions

- **Sunset of and Restriction of Certain Exemptions**
- SEA 309-2016 amends IC 6-1.1-10-16, effective July 1, 2016, so that an exemption granted for a tract of land (or tract of land plus all or part of a structure on the land) acquired for the purpose of erecting, renovating, or improving a single family residential structure that is to be given away or sold in a charitable manner, by a nonprofit organization, and to low income individuals is no longer available beyond the January 1, 2017 assessment date. An existing exemption under this statute terminates when the property is conveyed by the nonprofit organization to another owner or January 2, 2017, whichever occurs first.
- SEA 309 amends IC 6-1.1-10-16.7 to restrict but not eliminate the exemption for improvements on real property that are constructed, rehabilitated, or acquired for the purpose of providing low income housing.

44



Exemptions

- **Exemption of Certain Airport Property, continued**
- SEA 308-2016 amends IC 6-1.1-10-15 concerning the exemption of certain authority property. The change is effective July 1, 2016. Specifically, real property owned by the airport owner and used for airport operation and maintenance purposes, which also now includes the following property:
 - (A) Leased property that:
 - (i) is used for agricultural purposes; and
 - (ii) is located within the area that federal law and regulations of the Federal Aviation Administration restrict to activities and purposes compatible with normal airport operations.
 - (B) Runway protection zones.
 - (C) Avigation easements.
 - (D) Safety and transition areas, as specified in IC 8-21-10 concerning the regulation of tall structures and 14 CFR Part 77 concerning the safe, efficient use and preservation of the navigable airspace.
 - (E) Land purchased using funds that include grant money provided by the Federal Aviation Administration or the Indiana Department of Transportation.

45



Exemptions

- **Exemption for Personal Property with Acquisition Cost of Less than \$20,000**
- HEA 1169 introduces legislative changes concerning the exemption for business personal property with an acquisition cost of less than \$20,000. This memorandum addresses these changes, which are effective upon passage of the bill and thus affect personal property assessment for 2016. Please note that this memorandum is intended to be an informative bulletin; it is not a substitute for reading the law.
- Whereas the law previously required a taxpayer declaring this exemption to file a notarized certification with the county assessor, HEA 1169 provides that the taxpayer would declare the exemption by using a personal property form (specifically, Form 103-Short, Form 103-Long, or Form 102, as applicable). In other words, a taxpayer will no longer file a notarized certification to declare the exemption, but will instead use a personal property form to do so.

46



Exemptions

- **Exemption for Personal Property with Acquisition Cost of Less than \$20,000, continued**
- However, for purposes of the January 1, 2016 assessment date only, a taxpayer who has used or who will use a notarized certification to declare the exemption does NOT violate the law. In other words, taxpayers who have already filed a notarized certification do NOT need to file a personal property return to declare the exemption. Moreover, a taxpayer who files a notarized certification for 2016 despite this change in law does NOT need to file a personal property return to declare the exemption. Put differently, the notarized certification is grandfathered in for 2016 only. Either the notarized certification or the personal property form is acceptable for 2016.
- The Department of Local Government Finance (“Department”) has updated Forms 103-Short, 103-Long, 102, and 104 to include a check box and corresponding instructions. The Department emphasizes that an eligible taxpayer does NOT need to complete the entire personal property return. In addition, a taxpayer declaring the exemption on a Form 103 or Form 102 does NOT need to attach a Form 104 or any other form or schedule. The Department reiterates that it has provided instructions in the forms directing eligible taxpayers to complete only certain sections of the forms.

47



Exemptions

- **Exemption for Personal Property with Acquisition Cost of Less than \$20,000, continued**
- Nothing else about the exemption, late fee, or optional service fee has changed. In sum, the deadline to file the notarized certification or personal property return remains May 16 for 2016 (because May 15 falls on a Sunday, the deadline moves to the next business day). A notarized certification or personal property return used to declare the exemption that is filed late triggers a \$25 late fee. A county council may still adopt an ordinance to impose a service on those declaring the exemption at an amount **up to** \$50 per taxpayer.
- For more information about the exemption, please visit [http://www.in.gov/dlgf/files/151123 - FAQ - Personal Property Exemption.pdf](http://www.in.gov/dlgf/files/151123_-_FAQ_-_Personal_Property_Exemption.pdf). The Department will be updating the document at this link to reflect these legislative changes.

48



Budget Issues

- **Deadline for Establishing Unit to Ensure Levy for Ensuing Year**
- HEA 1273 amends IC 6-1.1-18.5-7 so that a civil taxing unit may not impose a property tax levy for a year if the unit did not exist as of January 1 (rather than March 1) of the preceding year. This change is effective July 1, 2016. In other words, for a new unit to receive a tax levy for 2018, it must exist on or before January 1, 2017. Please note that because of the effective date of the amendment to this statute, technically for a unit to receive a tax levy for 2017, it must have existed on or before March 1, 2016 (even though the assessment date for 2016 was January 1).

49



Budget Issues

- **Excess Levy Appeals**
- HEA 1273 amends IC 6-1.1-18.5-13, effective July 1, 2016, so that a taxing unit can no longer seek what is commonly referred to as an “extension of services excess levy appeal” on the basis that it has extended governmental services to “additional persons.” The appeal is still potentially available to taxing units that extend services to “additional geographic areas,” as well as in annexation and consolidation situations.
- HEA 1273 also repeals a number of obsolete excess levy appeal provisions.

50



School Issues

- **Protected Tax Waivers & CPF Uses**
- HEA 1109 makes changes to a school corporation's eligibility for a waiver from protected taxes ("waiver"). Specifically, HEA 1109 changes the following:
 - 1) It extends the years for which a school corporation may be eligible for a waiver through pay-2018. Currently, a school corporation may be eligible through pay-2016.
 - 2) If a school corporation in 2017 or 2018 issues new bonds or enters into a new lease rental agreement for which the school corporation is imposing or will impose a debt service levy other than:
 - (A) to refinance or renew prior bond or lease rental obligations existing before January 1, 2017; or
 - (B) indebtedness that is approved in a local public question or referendum under IC 6-1.1-20 or any other law; andthe school corporation's total debt service levy in 2017 or 2018 is greater than the school corporation's debt service levy in 2016;
the school corporation is not eligible to allocate credits proportionately.

These changes go into effect July 1, 2016.

- In addition, 1109 amends IC 20-40-8-19 to extend the availability of money from a capital projects fund to be put toward utility services, property or casualty insurance, or both, through January 1, 2018. This section is effective July 1, 2016.

51



School Issues

- **Amendments to Referendum and Petition & Remonstrance Processes**
- SEA 279 allows a school corporation to extend a referendum levy via a resolution and subsequent referendum.
- The resolution to extend a referendum levy must place a referendum on the ballot requesting authority to continue imposing a tax rate. The tax rate must be the same or lower than the tax rate imposed under the previously approved referendum. In addition, the extension period must be the same or lower than the number of years for which the previously approved referendum levy was imposed.
- SEA 279 adds IC 20-46-1-10.1 to prescribe the ballot language for extending a referendum levy. The resolution and the ballot language must be certified by the Department in the same manner as an ordinary referendum.
- The resolution to extend a referendum levy must be adopted by the school board and approved in a referendum before December 31 of the final calendar year in which the school corporation's previously approved referendum levy is imposed.
- These amendments were effective upon passage of the bill.

52



School Issues

- **Amendments to Referendum and Petition & Remonstrance Processes, continued**
- SEA 279 amends IC 6-1.1-20-3.1 so that after a political subdivision gives notice of its preliminary determination concerning a controlled project potentially subject to the petition and remonstrance process, a petition requesting the application of the petition and remonstrance process may be filed by the lesser of: 500 persons (rather than 100 under current law) who are either owners of property within the political subdivision or registered voters residing within the political subdivision; or 5% of the registered voters residing within the political subdivision.
- SEA 279 similarly amends IC 6-1.1-20-3.5 so that after a political subdivision gives notice of its preliminary determination concerning a controlled project potentially subject to a referendum, a petition requesting the referendum process may be filed by the lesser of: 500 persons (rather than 100 under current law) who are either owners of property within the political subdivision or registered voters residing within the political subdivision; or 5% of the registered voters residing within the political subdivision.
- These changes take effect July 1, 2016.

53



School Issues

- **Amendments to Referendum and Petition & Remonstrance Processes, continued**
- With regard to a petition requesting the referendum process, the county voter registration office must determine whether each person who signed the petition is a registered voter. However, after the county voter registration office has determined that at least 525 persons (rather than 125 persons under current law) who signed the petition are registered voters within the political subdivision, the county voter registration office is not required to verify whether the remaining persons who signed the petition are registered voters. If the county voter registration office does not determine that at least 525 persons (rather than 125 persons under current law) who signed the petition are registered voters, the county voter registration office, not more than 15 business days after receiving a petition, must forward a copy of the petition to the county auditor. The county voter registration office, not more than ten business days after determining that at least 525 persons (rather than 125 persons under current law) who signed the petition are registered voters or after receiving a statement from the county auditor under IC 6-1.1-20-3.5(b)(8) (as applicable), must make the final determination of whether a sufficient number of persons have signed the petition.
- These changes take effect July 1, 2016.

54



Fire Protection Territories

- HEA 1273 makes various changes concerning fire protection territories (“territory”). These changes are effective July 1, 2016.
- **Incurrence of Debt**
- HEA 1273 amends IC 36-8-19-8.5, which governs the incurrence of debt by territories. Specifically, if a territory desires to incur debt, the provider unit must negotiate for and hold the debt on behalf of the territory. However, the participating units and the provider unit of the territory are jointly liable for any debt incurred by the provider unit. The most recent adjusted value of taxable property for the entire territory must be used to determine the debt limit under IC 36-1-15-6. A provider unit must comply with all general statutes and rules relating to the incurrence of the debt. The Department emphasizes that the debt is to be repaid using the equipment replacement fund, which has a statutory maximum rate of \$0.0333.

55



Fire Protection Territories

- **Incurrence of Debt, continued**
- A participating unit of a territory may, to the extent allowed by law, incur debt in the participating unit’s own name to acquire fire protection equipment or other property that is to be owned by the participating unit. The participating unit may then enter into an interlocal agreement under IC 36-1-7 with the provider unit to furnish the fire protection equipment or other property to the provider unit for the provider unit’s use or benefit in accomplishing the purposes of the territory. A participating unit must comply with all general statutes and rules relating to the incurrence of the debt.

56



Fire Protection Territories

- **Restoration of Levies Following Withdrawal from or Dissolution of a Territory**
- HEA 1273 amends IC 36-8-19-13 so that for purposes of determining a unit's maximum levy for the year following the year in which the unit withdraws from the territory or the territory dissolves, the unit receives a percentage of the territory's maximum levy equal to the percentage of the assessed valuation that the unit contributed to the territory in the year in which the withdrawal or dissolution takes effect.
- In the case of a unit withdrawing from a territory, the Department must adjust the territory's maximum levy to account for the unit's withdrawal. After the effective date of the unit's withdrawal, the unit may no longer impose a tax rate for an equipment replacement fund. However, the unit remains liable for the unit's share of any debt incurred by the territory.
- **Equipment Replacement Fund**
- HEA 1273 amends IC 6-1.1-41-6 to make clear that at least 10 taxpayers within the jurisdiction of a territory are needed in order to object to the territory's establishment or re-establishment of an equipment replacement fund under IC 36-8-19-8.5.

57



Miscellaneous Topics

- **City Park and Recreation Boards**
- HEA 1294 amends IC 36-10-3-4 so that a city ordinance creating a department of parks and recreation may provide for one or two ex officio members, those being:
 - 1) either:
 - a) a member of the governing body of the school corporation selected by the governing body of the school corporation; or
 - b) an individual who resides in the school corporation, selected by the governing body of the school corporation;
 - 2) a member of the governing body of the library district selected by that body; or
 - 3) both subdivisions 1) and 2).
- The law did not previously allow merely a *resident* of the school corporation to serve as an ex officio member of the city park and recreation board.

58



Miscellaneous Topics

- **Disclosure of Financial and Operational Data on Gateway**
- SEA 126 introduces legislative changes concerning the posting of certain political subdivision financial and operational information on Gateway.
- **Expenditure Information**
- SEA 126 amends IC 5-14-3.7-3 (effective January 1, 2017) so that the Indiana Department of Education (“DOE”) must include with its existing Gateway (www.gateway.in.gov) postings concerning public schools a listing of expenditures by specifically identifying those for personal services; other operating expenses or total operating expenses; and debt service, including lease payments, related to debt; and a listing of fund balances, specifically identifying balances in funds that are being used for accumulation of money for future capital needs.

59



Miscellaneous Topics

- **Disclosure of Financial and Operational Data on Gateway, continued**
- **Expenditure Information, continued**
- Similarly, SEA 126 amends IC 5-14-3.8-3 (effective January 1, 2017) so that the Department of Local Government Finance (“Department”) must include with its existing Gateway postings concerning political subdivisions a listing of expenditures specifically identifying those for personal services; other operating expenses or total operating expenses; debt service, including lease payments, related to debt; and a listing of fund balances, specifically identifying balances in funds that are being used for accumulation of money for future capital needs.

60



Miscellaneous Topics

- **Disclosure of Financial and Operational Data on Gateway, continued**
- **Financial and Operational Summary**
- SEA 126 introduces IC 5-14-3.9 (effective July 1, 2016), which implements a “Financial and Operational Summary” for each political subdivision, meaning a county, township, city, town, school corporation, library district, fire protection district, public transportation corporation, local hospital authority or corporation, local airport authority district, special service district, special taxing district, or other separate local governmental entity that may sue and be sued.
- After July 31, 2017, the Department must publish an annual summary of each political subdivision on Gateway on dates determined by the Department. A political subdivision must prominently display on the main page of the political subdivision’s Internet site the link provided by the Department to Gateway. **However, this obligation applies only to a political subdivision that has an Internet site. The law does NOT require a political subdivision to establish an Internet site.**

61



Miscellaneous Topics

- **Disclosure of Financial and Operational Data on Gateway, continued**
- **Financial and Operational Summary, continued**
- The Department will determine the information to be disclosed in the summary necessary to reflect the financial condition and operations of the political subdivision, which may include the following:
 - (1) Information disclosed under IC 5-14-3.7 or IC 5-14-3.8 (see Section I of this memo).
 - (2) Total operating budget.
 - (3) Approximate number of full-time and part-time employees.
 - (4) Outstanding indebtedness and interest paid on indebtedness.
 - (5) Disbursements.
 - (6) Assessed valuation and tax rates.
 - (7) Revenue from all sources.
- The Department will determine the form of the summary, which must be presented in a manner that:
 - (1) can be conveniently and easily accessed from a single webpage; and
 - (2) is commonly known as an Internet dashboard.
- Moreover, the summary must be in a form that is concise and reasonably easy to understand.

62



Miscellaneous Topics

- **Disclosure of Financial and Operational Data on Gateway, continued**
- **Financial and Operational Summary, continued**
- For school corporations, the summary must include the educational performance information of each school in the school corporation. DOE must determine the contents of the educational performance information.
- Within the next year, the Department will provide further information about the summary and corresponding dates.
- **Hospital Salary Information**
- Finally, SEA 126 amends several statutes concerning the reporting of certain hospital information to the State Board of Accounts (“SBOA”). Questions concerning these changes should be directed to SBOA at (317) 232-2513.

63



Special Note

- 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.*

64



Special Note

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;

constitutes an application for the deductions provided by sections 26, 29, 33, 34, and 37 of this chapter with respect to property taxes first due and payable in the calendar year that immediately succeeds the calendar year referred to in subdivision (1).

65



Special Note

- To receive a mortgage deduction for '16 Pay '17:

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.

- To receive a homestead deduction:

If a person completes and signs a deduction application by December 31, 2015 and files or postmarks the application to the auditor by January 5, 2016, they can potentially have the deduction for '15 Pay '16. If a person completes and signs a deduction application by December 31, 2016 and files or postmarks the application to the auditor by January 5, 2017, they can potentially have the deduction for '16 Pay '17. The change in assessment date to January 1 has no bearing on this timeline. Moreover, recording the deed is not a prerequisite to the applicant receiving the homestead deduction. For a person to be considered the owner of a property, the deed would have to be executed, but need not be recorded. In other words, if or when the deed is recorded does not affect the eligibility of the applicant for the homestead deduction.

In the case of a buyer under contract, the contract should be executed by December 31 (the deadline for filling out and signing the application form).

66



Contact the Department

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- Website: www.in.gov/dlgf
 - "Contact Us": www.in.gov/dlgf/2338.htm
- **Deductions presentation:**
<http://www.in.gov/dlgf/files/pdf/150826>
[- Duffy Presentation -](#)
[Fall Into Deductions.pdf](#)

67