HOUSE BILL No. 1090

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1.

Synopsis: Rental property valuation and tax deductions. Establishes standards for the determination of the true tax value of low income rental housing. Provides a property tax deduction for buildings containing principal rental dwellings.

Effective: March 1, 2004 (retroactive).

Buell, Crawford

January 13, 2004, read first time and referred to Committee on Ways and Means.

Introduced

Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

HOUSE BILL No. 1090

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-1.1-1-8.7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2004 (RETROACTIVE)]: **Sec. 8.7. "Low income housing" means real property that on an assessment date is used to obtain or receives any of the following benefits:**

(1) Low income housing credits under Section 42 of the Internal Revenue Code.

(2) Low interest loans for benefits from the United States Department of Agriculture Rural Housing Section 515 Program.

(3) Below market, federally insured, or governmental financing for housing, including tax exempt bonds under Section 142 of the Internal Revenue Code for qualified residential rental projects.

(4) A grant or low interest loan under Section 235 or 236 of the National Housing Act (12 U.S.C. 1715z or 12 U.S.C. 1715z-1) or 42 U.S.C. 1485.

(5) A government rent subsidy for housing.

(6) A government guaranteed loan for a housing project.

SECTION 2. IC 6-1.1-1-13.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2004 (RETROACTIVE)]: **Sec. 13.5. (a) "Principal rental dwelling" refers to residential improvements to land that an individual with a leasehold interest in the property uses as the individual's principal place of residence, regardless of whether the individual is absent from the property while in a facility described in subsection (b).**

(b) The term does not include any of the following:

(1) A hospital licensed under IC 16-21.

(2) A health facility licensed under IC 16-28.

(3) A facility licensed under IC 16-28.

(4) A Christian Science home or sanatorium.

(5) A group home licensed under IC 12-17.4 or IC 12-28-4.

(6) An establishment that serves as an emergency shelter for victims of domestic violence, homeless persons, or other similar purposes.

(7) A fraternity, sorority, or student cooperative housing organization described in IC 6-2.5-5-21.

SECTION 3. IC 6-1.1-6.9 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2004 (RETROACTIVE)]:

Chapter 6.9. Low Income Rental Housing; Assessment

Sec. 1. The true tax value of low income rental housing shall be determined using the capitalization of income method of valuation.

Sec. 2. The value of any tax credits or other government subsidies, including below market financing, granted for the construction, conversion, or use of property as low income housing may not be considered in determining the true tax value of the property regardless of whether the credits or other subsidies are made available, directly or indirectly, to compensate the owner for the rental of low income housing at a rate that is less than the fair market rental rate for the property.

SECTION 4. IC 6-1.1-12-43 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2004 (RETROACTIVE)]: **Sec. 43. (a) Subject to subsections (g) and (h), the owner of a building that contains less than five (5) principal rental dwellings is entitled to a deduction from the assessed value of the building and the land on which the building is located equal to the lesser of:**

(1) fifty percent (50%) of the combined assessed value of the building and the land; or

(2) the maximum amount of the standard deduction under section 37(b)(2) of this chapter.

(b) Subject to subsections (g) and (h), the owner of a building that contains more than four (4) principal rental dwellings and less than nine (9) principal rental dwellings is entitled to a deduction from the assessed value of the building and the land on which the building is located equal to the lesser of:

(1) fifty percent (50%) of the combined assessed value of the building and the land; or

(2) the product of twenty-five percent (25%) of the maximum amount of the standard deduction under section 37(b)(2) of this chapter multiplied by the number of principal rental dwellings in the building.

(c) Subject to subsections (g) and (h), the owner of a building that contains more than eight (8) principal rental dwellings and less than twenty-one (21) principal rental dwellings is entitled to a deduction from the assessed value of the building and the land on which the building is located equal to the lesser of:

(1) fifty percent (50%) of the combined assessed value of the building and the land; or

(2) the product of fifteen percent (15%) of the maximum amount of the standard deduction under section 37(b)(2) of this chapter multiplied by the number of principal rental dwellings in the building.

(d) Subject to subsections (g) and (h), the owner of a building that contains more than twenty (20) principal rental dwellings is entitled to a deduction from the assessed value of the building and the land on which the building is located equal to the lesser of:

(1) fifty percent (50%) of the combined assessed value of the building and the land; or

(2) the product of ten percent (10%) of the maximum amount of the standard deduction under section 37(b)(2) of this chapter multiplied by the number of principal rental dwellings in the building.

(e) A certificate of occupancy that complies with this subsection is prima facie evidence that a building and the land on which it is located contains the number of principal rental dwellings specified in the certificate. To comply with this subsection, the certificate of occupancy must:

(1) be prepared on a form prescribed by the department of

local government finance;

(2) be signed under penalties of perjury by the owner of the building containing a rental unit or the principal officer of the entity owning the building; and

(3) indicate that:

(A) with respect to a building that contains one (1) rental unit, the unit was used as a principal rental dwelling; and

(B) with respect to a building that contains more than one (1) unit, substantially all the units in the building were used as principal rental dwelling units;

on an assessment date or within two (2) years before the assessment date.

(f) To obtain the deduction under this section, the:

(1) owner of the building containing a principal rental dwelling; or

(2) principal officer for the cooperative, common interest community, owner's association, or other entity owning the building;

must file a certified application in duplicate, on forms prescribed by the department of local government finance, with the auditor of the county in which the property is subject to assessment. The certified application must be filed before May 11 in the year containing the assessment date to which the application applies.

(g) If the owner of a building containing a principal rental dwelling is eligible to receive:

(1) a homestead credit for the building under IC 6-1.1-20.9; or

(2) the standard deduction for the building under section 37 of this chapter;

the owner may not claim the deduction provided under this section.

(h) If a parcel of land contains more than one (1) building for which a deduction is claimed under this section, the township assessor shall allocate the assessed value of the land among the buildings on the parcel in proportion to the assessed value of each building. The county auditor shall use the allocated assessed value of land under this section in determining the amount of the deduction that is to be granted under this section.

SECTION 5. [EFFECTIVE MARCH 1, 2004 (RETROACTIVE)] **IC 6-1.1-6.9 and IC 6-1.1-12-43, both as added by this act, apply only to assessment dates after February 28, 2004, and property taxes first due and payable after December 31, 2004.**

SECTION 6. **An emergency is declared for this act.**