

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO: Council Fiscal Bodies, County Auditors, County Treasurers, and County
Recorders**

FROM: Jason Cockerill, Commissioner

RE: County Option Homestead Property Tax Deferral Program

DATE: September 18, 2025

The Department of Local Government Finance (“Department”) issues this memorandum to inform local officials about a new County Option Homestead Property Tax Deferral Program (“Deferral Program”), codified under Ind. Code § 6-1.1-52, which was added as a new chapter to the Indiana Code effective July 1, 2025, by Section 85 of Senate Enrolled Act 1-2025 (“SEA 1”).

This chapter allows county fiscal bodies to establish a Deferral Program, which the county treasurer will administer under Ind. Code § 6-1.1-52. Given the potential length of the deferral period and detailed requirements for administering a Deferral Program, counties adopting a program should thoroughly review the statute and ensure that all program requirements can be followed and fulfilled.

If a county fiscal body adopts an ordinance to establish a Deferral Program, a qualified individual may defer no less than \$100 and no more than \$500 of the individual’s homestead property tax liability in a given calendar year beyond the typical due date.

Though not required by statute, the Department asks any county that adopts a Deferral Program to notify the Department of the passage of an enabling ordinance so that the Department can ensure that appropriate reporting mechanisms are in place for the county auditor to notify the Department, under Ind. Code § 6-1.1-52-9(a)(3), of amounts deferred.

This memorandum is for informative purposes only and is not a substitute for reading the law.

I. Definitions

Under Ind. Code § 6-1.1-52-4, a “**qualified individual**” is an individual who:

- (1) has a qualified interest in a homestead on the assessment date for which homestead property tax liability is imposed;
- (2) has held a qualified interest in the homestead for at least five (5) years before first applying for a deferral of homestead property tax liability;

- (3) uses the homestead in which the individual has a qualified interest as the individual's principal place of residence. An individual shall be treated as using a homestead as the individual's principal place of residence if the individual:
- (A) is absent from the homestead while in a health care facility (as defined in Ind. Code § 16-18-2-161 or Ind. Code § 16-28-13-0.5) for which payment is received from the United States Department of Health and Human Services for the individual's care; but
 - (B) used the homestead as the individual's principal place of residence immediately before being admitted to a health care facility (as defined in Ind. Code § 16-18-2-161 or Ind. Code § 16-28-13-0.5);
- (4) is not delinquent in the payment of any property taxes, special assessments, or fees or charges that are included by law on a tax statement issued under Ind. Code § 6-1.1-22-8.1 or Ind. Code § 6-1.1-22.5; and
- (5) meets any other qualifications that a county may choose to require in an ordinance adopted under this chapter (Ind. Code § 6-1.1-52), which may include:
- (A) an age requirement for senior citizens;
 - (B) an assessed value limitation (such as an assessed value limit of three hundred thousand dollars (\$300,000));
 - (C) veteran status; or
 - (D) an income-based limitation.

Under Ind. Code § 6-1.1-52-5, a “**qualified interest**” means the following:

- (1) An ownership interest in a homestead.
- (2) An interest in a contract for the purchase of a homestead that:
 - (A) is recorded in the county recorder's office; and
 - (B) provides that a person purchasing the homestead is to pay the property taxes on the homestead.

Please note: a qualified interest means an ownership or contractual interest in a homestead. The statute does not explicitly require that an individual actually receive the homestead deduction to have a qualified interest. However, counties adopting an ordinance to establish a Deferral Program could choose to add the receipt of a homestead deduction as a qualifying requirement.

According to Ind. Code § 6-1.1-52-1, a “**homestead**” is defined in reference to Ind. Code § 6-1.1-12-37 as follows:

an individual's principal place of residence:

- (A) that is located in Indiana;
- (B) that:
 - (i) the individual owns;
 - (ii) the individual is buying under a contract recorded in the county recorder's office, or evidenced by a memorandum of contract recorded in the county recorder's office under Ind.

- Code § 36-2-11-20, that provides that the individual is to pay the property taxes on the residence, and that obligates the owner to convey title to the individual upon completion of all of the individual's contract obligations;
- (iii) the individual is entitled to occupy as a tenant-stockholder (as defined in 26 U.S.C. 216) of a cooperative housing corporation (as defined in 26 U.S.C. 216); or
 - (iv) is a residence described in Ind. Code § 6-1.1-12-17.9 that is owned by a trust if the individual is an individual described in Ind. Code § 6-1.1-12-17.9; and
- (C) that consists of a dwelling and includes up to one (1) acre of land immediately surrounding that dwelling, and any of the following improvements:
- (i) Any number of decks, patios, gazebos, or pools.
 - (ii) One (1) additional building that is not part of the dwelling if the building is predominantly used for a residential purpose and is not used as an investment property or as a rental property.
 - (iii) One (1) additional residential yard structure other than a deck, patio, gazebo, or pool.

Except as provided in Ind. Code § 6-1.1-12-37(r), the term does not include property owned by a corporation, partnership, limited liability company, or other entity not described in this subdivision.

Under Ind. Code § 6-1.1-52-3, “**property taxes**” refers to ad valorem property taxes and does not include special assessments, fees, or charges that are included by law on a tax statement issued under Ind. Code § 6-1.1-22-8.1 or Ind. Code § 6-1.1-22.5. In other words, special assessments, fees, or charges that are included by law on a tax statement are not eligible for deferral under a Deferral Program.

Under Ind. Code § 6-1.1-52-2, “**homestead property tax liability**” refers to liability for property taxes:

- (1) that are assessed on tangible property that is a homestead, including all tangible property, regardless of type, located in any parcel that contains the homestead; and
- (2) that would be first due and payable in a certain year if the property taxes were not deferred under Ind. Code § 6-1.1-52.

The term refers to property tax liability after the application of all deductions and credits for which the homestead is eligible.

II. County Ordinance Requirements

An ordinance to establish a Deferral Program adopted by a county fiscal body must:

- (1) Apply to the entire territory of the county.¹
- (2) Allow a qualified individual (as defined above) to apply for and receive deferral of the individual's homestead property tax liability as set forth in Ind. Code § 6-1.1-52.²
- (3) Be adopted on or before November 1 of a year for the program to be applicable to taxes payable in the immediately following pay-year (e.g., be adopted by November 1, 2025, for the program to apply for the 2025 Pay 2026 tax year).³

An ordinance may also include other qualifications that the county chooses to require for an applicant to be considered a qualified individual. These qualifications might include but are not limited to: an age requirement for senior citizens, an assessed value limitation on the homestead, veteran status, or an income-based limitation.

As noted below, the county treasurer may accrue interest on deferred tax balances on a monthly basis not to exceed 4% beginning on the date of deferral. Counties should consider specifying in the enabling ordinance whether interest will accrue on deferred tax balances and, if so, at what interest rate.

Although not explicitly outlined in Ind. Code § 6-1.1-52, a county fiscal body may rescind a Deferral Program through a subsequent ordinance. Taxes deferred during the period when a Deferral Program was valid would still be due and payable according to the terms of that Deferral Program and the applicable Tax Deferral Loan Agreement (described below), despite any later rescission.

III. Application Requirements

In counties that have enacted a Deferral Program, qualified individuals may apply to the county auditor to defer the due date for the individual's homestead property tax liability under the following conditions:

A qualified individual must:

- (1) File a completed Tax Deferral Loan Application with the county auditor in the county where the homestead is located on or before January 15 of the calendar year in which the property taxes are due and payable;⁴
- (2) Submit with the Tax Deferral Loan Application with the written approval of any holder of a lien on the homestead property;⁵
- (3) Agree to not pay the individual's remaining non-deferred payments by escrow;⁶

¹ Ind. Code § 6-1.1-52-6(b).

² Ind. Code § 6-1.1-52-6(b).

³ Ind. Code § 6-1.1-52-6(c).

⁴ Ind. Code § 6-1.1-52-8(b).

⁵ Ind. Code § 6-1.1-52-7(g)(1).

⁶ Ind. Code § 6-1.1-52-7(g)(2).

- (4) Enter into a Tax Deferral Loan Agreement with the county auditor before March 1 of that year;⁷ and
- (5) Pay any recording fees required by the county recorder to file the Tax Deferral Loan Application.⁸

The Department has prescribed a County Option Property Tax Deferral Loan Application (State Form 57887) and a County Option Property Tax Deferral Loan Agreement (State Form 57889) to be used as part of a Deferral Program.

Upon receiving an application, the county auditor shall immediately:

- (1) Notify the county treasurer and transmit the information needed for the county treasurer to match the application with the county treasurer's records related to the homestead;⁹
- (2) Review the application to determine:
 - (a) whether the applicant qualifies for a deferral; and
 - (b) the amount that may be deferred.¹⁰

Once an initial application has been submitted, applicants remain eligible for deferral in subsequent years as long as they continue to meet the eligibility requirements under Ind. Code § 6-1.1-52.¹¹

If an individual who qualifies for deferred property tax payments stops using their homestead as their primary residence, loses or changes their qualifying interest in it, or if a surviving spouse becomes a qualifying individual, they must notify the county auditor in the county where the homestead is located on the form prescribed by the Department.¹² County auditors receiving such a form shall review the information and determine whether a deferral termination event has occurred.¹³

IV. Deferral Program Parameters

If an applicant qualifies for a deferral, the following conditions apply:

- (1) The qualified individual may defer at least \$100 but not more than \$500 of homestead property tax liability in a given year.¹⁴
- (2) Auditors should:
 - (a) Approve the deferral in the lesser of:

⁷ Ind. Code § 6-1.1-52-8(b).

⁸ Ind. Code § 6-1.1-52-8(b).

⁹ Ind. Code § 6-1.1-52-8(c)(1).

¹⁰ Ind. Code § 6-1.1-52-8(c)(2).

¹¹ Ind. Code § 6-1.1-52-8(d).

¹² Ind. Code § 6-1.1-52-13.

¹³ Ind. Code § 6-1.1-52-13.

¹⁴ Ind. Code § 6-1.1-52-7(b).

- (i) The amount requested by the applicant, which may not be less than \$100; or
 - (ii) The maximum amount of \$500.¹⁵
- (b) Provide for the recording of the deferral in the county recorder's office, specifying the amount of the property tax deferred.¹⁶
- (c) Notify the county treasurer and the Department of the amount deferred.¹⁷
- (3) Amounts deferred may continue to accumulate until the delayed due date.¹⁸
- (4) Qualified individuals may not defer more than \$10,000 of homestead property tax liability over consecutive years. Based on the definition of "homestead property tax liability" under Ind. Code § 6-1.1-52-2, this limit is determined based solely on the tax liability, excluding any accrued interest.¹⁹
- (5) Beginning on the date of the deferral, the county treasurer may accrue interest on deferred tax balances on a monthly basis not to exceed 4%.²⁰
- (6) No deferral shall be granted if the total deferred taxes plus the total of all other liens on the homestead property plus the outstanding principal on all mortgages on the homestead property exceed 100% of the homestead's assessed value.²¹
- (7) Applicants must enter into a Tax Deferral Loan Agreement for each year that homestead property taxes are deferred.²²
- (8) The recording of a deferral in the county recorder's office shall constitute a lien on the homestead property.²³
- (9) Deferred taxes are due and payable 180 days after a deferral termination event (described below) occurs.²⁴
- (10) Deferred taxes and accrued interest may be paid any time on or before the delayed due date.²⁵
- (11) Payment of deferred property taxes after the delayed due date will be collected and treated in the same manner as delinquent property taxes.²⁶
- (12) Payments of deferred property taxes require the county treasurer to notify the county auditor, the county recorder, and the State Board of Accounts on a form and in the manner prescribed by the State Board of Accounts. The notice to the

¹⁵ Ind. Code § 6-1.1-52-9(a)(1).

¹⁶ Ind. Code § 6-1.1-52-9(a)(2).

¹⁷ Ind. Code § 6-1.1-52-9(a)(3).

¹⁸ Ind. Code § 6-1.1-52-7(c).

¹⁹ Ind. Code § 6-1.1-52-7(d).

²⁰ Ind. Code § 6-1.1-52-7(e).

²¹ Ind. Code § 6-1.1-52-7(f).

²² Ind. Code § 6-1.1-52-9(b).

²³ Ind. Code § 6-1.1-52-9(c).

²⁴ Ind. Code § 6-1.1-52-10(a).

²⁵ Ind. Code § 6-1.1-52-11.

²⁶ Ind. Code § 6-1.1-52-11.

county recorder must be in the form of a release of the lien on the homestead for the deferred property taxes.²⁷

- (13) Any payment of deferred property taxes made within a particular installment period must be delineated by taxing district throughout the settlement process.²⁸
- (14) When payment of deferred property taxes is made, the deferred property taxes shall be apportioned and distributed among the respective funds of the taxing units in the same manner as other property taxes are apportioned and distributed in the calendar year in which the payment of deferred property taxes is made.²⁹
- (15) The county recorder shall record the following without charge in the miscellaneous records of the recorder:
 - (a) a statement of the amount of property tax deferred;
 - (b) a statement of payment of deferred property taxes; and
 - (c) a notice of termination of deferral.³⁰

V. Deferral Termination Event

Deferred taxes become due and payable 180 days after a deferral termination event occurs. A deferral termination event happens for a qualified individual with a qualified interest in the homestead when property taxes were deferred, based on the earliest of the following dates:

- (1) the date the qualified individual ceases to use the homestead as the individual's principal place of residence;
- (2) the date the qualified individual no longer has a qualified interest in the homestead; or
- (3) the date of the qualified individual's death.³¹

Surviving Spouse

If a married, qualified individual dies, a surviving spouse who was not a qualified individual on the date on which property taxes were deferred may, under certain circumstances, be treated as if the surviving spouse had been a qualified individual on the date on which property taxes were deferred. For this to occur:

- (1) The homestead must have been the surviving spouse's principal place of residence when the qualified individual died;³² and

²⁷ Ind. Code § 6-1.1-52-12(a).

²⁸ Ind. Code § 6-1.1-52-12(a).

²⁹ Ind. Code § 6-1.1-52-12(b).

³⁰ Ind. Code § 6-1.1-52-15.

³¹ Ind. Code § 6-1.1-52-10(b).

³² Ind. Code § 6-1.1-52-10(c)(1).

- (2) The surviving spouse must have a qualified interest in the homestead not later than the later of:
- (a) The date of the deceased individual's death; or
 - (b) The date on which the estate of the deceased individual transfers any part of the ownership of the homestead from the estate.³³

Determination that Deferral Termination Event Occurred

If a county auditor determines that a deferral termination event has occurred, either on the auditor's own motion or as the result of the filing of information with the auditor, then the auditor shall notify the county treasurer, the county recorder, and the Department. This notice must be provided on the form prescribed by the Department.³⁴

Additionally, the auditor is required to give written notice of each determination to the qualified individuals for the affected homestead.³⁵

Attachments:

- (1) County Option Property Tax Deferral Loan Application (State Form 57886)
- (2) County Option Property Tax Deferral Loan Agreement (State Form 57889)
- (3) Notice to Auditor of Potential Property Tax Deferral Termination Event (State Form 57887)
- (4) Auditor's Notice of Determination of Property Tax Deferral Termination Event (State Form 57888)

³³ Ind. Code § 6-1.1-52-10(c)(2).

³⁴ Ind. Code § 6-1.1-52-14(a).

³⁵ Ind. Code § 6-1.1-52-14(b).