

Department of Local Government Finance

Circuit Breaker Caps

FACT SHEET



November 2018

Beginning with 2010 tax bills, property owners have been entitled to a circuit breaker cap on the amount of property taxes over:

- 1% of homestead properties;
- 2% of residential properties;
- 2% of agricultural land;
- 2% of long-term care facilities;
- 3% of nonresidential properties; and
- 3% of personal property.

(In 2009, the circuit breaker caps were 1.5%, 2.5% and 3.5%.)

It is important to understand that local property tax levies determine property tax rates in your area. Tax levies are collected by local governments, including counties, townships, cities and towns, school corporations, library districts, and other special districts to provide services. Property tax rate increases or decreases are a direct result of local levies. The caps ensure that a property owner does not pay more than a fixed percent of the property's gross assessed value after exemptions in taxes, but the caps do not change the local tax rate.

Independent of the circuit breaker caps, a property's assessed value must still reflect the market value-in-use of that property. Assessed values are annually adjusted—increased or decreased—to reflect market value-in-use.

If the total tax liability for the property exceeds the circuit breaker cap, the county auditor will provide a tax credit for the amount that exceeds the cap. For example, a homestead property is valued at \$100,000. Under the 1% circuit breaker cap, the maximum tax liability that may be imposed on this property is \$1,000. Assume the tax liability on this property after the application of all other deductions and credits is \$2,100. Since this tax liability exceeds the maximum allowed under the caps, the county auditor will apply a circuit breaker credit of \$1,100 to reduce the tax liability to \$1,000.

For more information on the circuit breaker caps, contact your county auditor. A complete listing of auditor contact information can be found online at <http://www.in.gov/dlgf/2440.htm>.

Additional information regarding the circuit breaker caps can be obtained online at <http://www.in.gov/dlgf/8225.htm>. Information regarding the calculation of property tax bills is available online at <http://www.in.gov/dlgf/8527.htm>.

Definitions

A Homestead is an individual's principal place of residence consisting of a dwelling and up to one acre of immediately surrounding real estate. Structures such as decks, patios, and gazebos that are attached to the dwelling are considered a part of the homestead. Swimming pools and those structures not attached to the dwelling are not considered a part of the homestead. A property must be receiving a Homestead Standard Deduction in order to receive the 1% cap.

Real property is physical real estate and improvements.

Residential property consists of any of the following:

- (1) A single family dwelling that is not a part of a homestead and the land, not exceeding one acre, on which the dwelling is located.
- (2) Real property that consists of:
 - (A) a building that includes two or more dwelling units;
 - (B) any common areas shared by the dwelling units; and
 - (C) the land on which the building is located.
- (3) Land rented or leased for the placement of a mobile/manufactured home, including any common areas shared by the homes.

Frequently Asked Questions

Q. What do the circuit breaker caps mean to taxpayers?

A. The circuit breaker caps are aimed at helping Hoosiers by ensuring they do not pay more than a fixed percent of their property's gross assessed value in property taxes.

Q. My entire property is zoned residential. Why is part of the property capped at 1% and the other part capped at 3%, which is the cap reserved for business property?

A. The 1% circuit breaker cap is reserved for homestead property only. A homestead is defined as a dwelling and up to one acre of immediately surrounding real estate. Any additional improvements not attached to the dwelling (i.e. a pool, shed, second garage, etc.) or additional acreage beyond the one allocated to the homestead will be capped at 3%. While the 3% cap does apply to business and commercial property, it is also applicable to any property not classified as either 1% or 2% assessed value (see definitions on first page).

Q. Are the circuit breaker caps permanent?

A. Yes, the circuit breaker caps are part of the Indiana Constitution. During the 2008 session of the General Assembly, legislators took the first step in making the circuit breaker caps permanent by passing Senate Joint Resolution (SJR) 1, which sought to add the caps to the Indiana Constitution. In order to change the state constitution, a separately elected General Assembly had to pass the resolution again. During the 2010 session, the resolution was passed for the second time. In November 2010, Hoosiers voted to make the caps part of the Indiana Constitution.

Q. On my tax statement, there is an adjustment to the circuit breaker cap maximum. What is this adjustment?

A. In most counties, the only exemptions from the property tax caps are for expenses related to projects or additional school operating funds that are approved by voters in a public referendum. Furthermore, in Lake and St. Joseph Counties, there is another exemption to the property tax caps—debt issued before July 1, 2008. This special accommodation was provided by the General Assembly due to those counties' heavy reliance on property taxes to fund local services and will expire in 2020 at which time any remaining debt will be subject to the caps.

The term includes a single family dwelling that is under construction and the land, not exceeding one (1) acre, on which the dwelling will be located. The term does not include real property that consists of a commercial hotel, motel, inn, tourist camp, or tourist cabin.

Nonresidential real property is:

- (1) Real property that:
 - (A) is not a homestead or residential property; and
 - (B) consists of:
 - (i) a building or other land improvement; and
 - (ii) the land, not exceeding the area of the building or improvement footprint, on which the building or improvement is located.
- (2) Undeveloped land in the amount of the remainder of:
 - (A) the area of the parcel; minus
 - (B) the area of the parcel that is part of a homestead or residential property.
- (3) The term does not include agricultural land.