



Department of Local Government Finance

Property Tax Deductions and Exemptions

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- If you are not sure about something, please ask! The Department will do its best to answer your questions. If Department can't help, we will refer you to the right agency or to your county attorney. Please do not rely on rumors or third-party information.



Agenda

- Definitions
- Deductions
- Exemptions
- Frequently Asked Questions



Definitions



Definitions

- What is the difference between a deduction, an exemption, and a credit?
- A deduction reduces the assessed value being taxed
 - E.g., Homestead, Mortgage, Over 65, Disabled Veteran
 - IC 6-1.1-12
- An exemption excludes property from assessment and/or taxation
 - E.g., churches, charitable organizations
 - IC 6-1.1-10; IC 6-1.1-11
- A credit reduces the tax bill
 - Circuit Breaker/Tax Caps, Over 65, Local Homestead
 - IC 6-1.1-20.4; IC 6-1.1-20.6



Deductions

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

- *It is suggested that the veteran deduction be applied last so that if there is an unused portion remaining, the veteran can seek an excise tax credit.
- Homestead donated to a veteran deduction can be applied in any order
- It is possible for deductions to zero out a tax bill (personal property mobile homes may be an exception; IC 6-1.1-12-40.5).
- Deduction applications must be filled out and signed by December 31 and filed or postmarked by January 5.



Deductions – Standard Homestead

- IC 6-1.1-12-37
- Deduction amount: Lesser of \$45,000 or 60% of the gross AV of the property
- Applies to the dwelling (and those structures attached to the dwelling – deck, patio, etc.) and the surrounding 1 acre (even if acre straddles multiple parcels)
- Property must be applicant’s principal place of residence
 - An individual’s “true, fixed, permanent home to which the individual has the intention of returning after an absence.” 50 IAC 24-2-5
- Applicant must:
 - own the property;
 - be buying it under recorded contract or recorded memorandum of contract that provides that the buyer is responsible for the taxes; or
 - Occupy the property owned by a trust seeking deduction in conformity with IC 6-1.1-12-17.9



Deductions – Supplemental Homestead

- IC 6-1.1-12-37.5
- A person entitled to Standard Homestead deduction is entitled to Supplemental Homestead deduction
- Applied to the net AV resulting after application of the Standard Homestead deduction.
- Deduction amount: equals 35% of the net AV (if the net is less than \$600,000) or 25% of the net AV (if the net is greater than \$600,000)



Deductions - Homestead

- To claim the Standard Homestead deduction and Supplemental Homestead deduction:
 - The taxpayer must complete Form HC-10 (Claim for Homestead Property Tax Standard/Supplemental Deduction – see <https://forms.in.gov/Download.aspx?id=6049>) and file it with the County Auditor’s office where the homestead is located; OR
 - The Sales Disclosure Form (see <https://www.in.gov/dlgef/8516.htm>) may be used to apply for the Homestead Deduction – Part 1, Page 3, Section “J,” #3 (Homestead).
- A property must be receiving a homestead deduction to receive the 1% circuit breaker/tax cap (IC 6-1.1-20.6).



Deductions - Homestead

- Only one individual or married couple may receive a homestead deduction for a particular year, but there are exceptions.
- Exception 1: Moving residences (IC 6-1.1-12-37(h))
 - The limitation does not apply to property in the first year for which a homestead deduction is claimed if the sole reason that a deduction is claimed on another property is that the individual or married couple maintained a principal residence at the other property on the assessment date in the same year in which an application for a deduction is filed.
 - The secondary property does not have to be newly purchased to apply.



Deductions - Homestead

- Exception 2: Spouses in Different States (IC 6-1.1-12-37(n))
 - Spouses living in different states (one in IN and one elsewhere) can each claim a Homestead Standard deduction on their respective property if:
 - Spouses maintain separate principal places of residence
 - Neither individual has an ownership interest in the other individual's principal place of residence
 - Neither individual has claimed a homestead deduction that year for any property other than the property maintained as a principal place of residence by the respective individual
 - Required to provide information on affidavit; auditor can request evidence of accuracy of information.



Deductions - Homestead

- Unless the exception on the previous slide applies, if a married couple is separated and living apart but not legally divorced, the couple is still married and entitled to only one homestead deduction.



Deductions - Homestead

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



Deductions - Homestead

- The 1 acre surrounding a dwelling can overlap multiple parcels and should not preclude the taxpayer from receiving a complete deduction on that 1 acre.
- The property where the homestead is located can be vacant or the dwelling that constitutes the homestead only partially completed on the assessment date and still qualify for a homestead deduction (IC 6-1.1-12-37(p)).
- IC 6-1.1-12-37(s) specifically address applicability of the homestead deduction for property owned by an individual serving on active duty who was order to transfer to a location outside of Indiana.



Deductions - Homestead

- An individual who resides on property owned by an entity (LLC, corporation, etc.) may qualify for the homestead deduction (IC 6-1.1-12-37(k)).
- Qualifications:
 - Property located in Indiana and consist of a dwelling and the real estate, not to exceed 1 acre surrounding that dwelling;
 - Property is the principal place of residence of an individual;
 - Property is owned by an entity that is not described in IC 6-1.1-12-37(a)(2)(B);
 - The individual residing on the property is the shareholder, partner, or member of the entity that owns the property; and
 - The property was eligible for the homestead deduction under IC 6-1.1-12-37 on March 1, 2009.
 - Doesn't need to be same owners from 3/1/09 to qualify.



Deductions - Homestead

- Proof of Eligibility
 - An auditor may require an individual to provide evidence proving that the individual's residence is the individual's principal place of residence.
 - An auditor may limit what evidence he/she requests to a state income tax return, a valid driver's license, or a valid voter registration card.
 - A dispute over eligibility for a homestead deduction in one year does not necessarily justify requesting documentation for multiple years, unless there truly is a basis for disputing eligibility in all those years.



Deductions - Homestead

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



Deductions - Homestead

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



Deductions - Homestead

- If the person receiving or seeking to receive the homestead deduction either:
 - changes the use of the individual's property so that part or all of the property no longer qualifies for the deduction; or
 - is not eligible for a deduction because the person is already receiving
 - a homestead deduction in the person's name as an individual or a spouse; or
 - a deduction under the law of another state equivalent to the homestead deduction in Indiana;
- the person must file a certified statement with the auditor of the county stating that the person is ineligible.
- A person who fails to file the statement may be liable under IC 6-1.1-36-17 for any additional taxes that would have been due on the property if the person had filed the statement timely.



Deductions - Homestead

IC 6-1.1-36-17

Notice of ineligibility for standard deduction; collection of adjustments in tax due; non-reverting fund

(b) If a county auditor makes a determination that property was not eligible for a standard deduction under IC 6-1.1-12-37 in a particular year within three (3) years after the date on which taxes for the particular year are first due, the county auditor may issue a notice of taxes, interest, and penalties due to the owner that improperly received the standard deduction and include a statement that the payment is to be made payable to the county auditor. The additional taxes and civil penalties that result from the removal of the deduction, if any, are imposed for property taxes first due and payable for an assessment date occurring before the earlier of the date of the notation made under subsection (c)(2)(A) or the date a notice of an ineligible homestead lien is recorded under subsection (e)(2) in the office of the county recorder. The notice must require full payment of the amount owed within:

- (1) one (1) year with no penalties and interest, if:
 - (A) the taxpayer did not comply with the requirement to return the homestead verification form under IC 6-1.1-22-8.1(b)(9) (expired January 1, 2015); and
 - (B) the county auditor allowed the taxpayer to receive the standard deduction in error; or
- (2) thirty (30) days, if subdivision (1) does not apply.

With respect to property subject to a determination made under this subsection that is owned by a bona fide purchaser without knowledge of the determination, no lien attaches for any additional taxes and civil penalties that result from the removal of the deduction.



Deductions - Homestead

- IC 6-1.1-36-17
- Notice of ineligibility for standard deduction; collection of adjustments in tax due; non-reverting fund
- What this does:
- 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.



Deductions - Mortgage

- IC 6-1.1-12-1 through 6-1.1-12-7 all address the mortgage deduction
- Deduction amount: the total amount of the deduction that a person may receive for a particular year equals \$3,000, one-half of the assessed value of the property, or the balance of the mortgage or contract indebtedness on the assessment date of that year, whichever is least.
- A person can only receive one mortgage deduction each year, and each property can only receive one mortgage deduction.



Deductions - Mortgage

- Qualifications:
 - Indiana resident;
 - Own or are buying the property under a contract which provides person is to pay property taxes; and
 - The mortgage, contract or memorandum (including a home line of equity of credit) recorded in the county recorder's office
 - Must have balance on mortgage or contract indebtedness that is the basis for the deduction
- Once the mortgage deduction is in effect, no other filing is necessary unless there is a change in status of the property of the applicant that would affect the deduction.

Note: A new application for the deduction must be filed whenever a loan or real estate is refinanced (IC 6-1.1-12-45(e)).



Deductions - Mortgage

- In order to claim the Mortgage Deduction, the taxpayer must complete Form 43709 (Statement of Mortgage or Contract Indebtedness for Deduction from Assessed Valuation – see <https://forms.in.gov/Download.aspx?id=5071>).
- It is filed at the county auditor's office where the property is located.



Deductions – Over 65

- IC 6-1.1-12-9 (and 10.1)
- Deduction amount: Lesser of \$14,000 or one-half (1/2) of the AV of the property
- Qualifications
 - Owns the property or buying it under contract;
 - At least 65 years old on or before 12/31 of calendar year preceding year in which deduction is claimed;



Deductions – Over 65

- Qualifications cont.:
 - Adjusted Gross Income* limitation:
 - Individual (filed single return): $\leq \$30,000$
 - Individual (filed jointly with spouse) combined: $\leq \$40,000$
 - Individual and co-owners (joint tenants or tenant in common) combined: $\leq \$40,000$
 - For the calendar year preceding by 2 years the calendar year in which the property taxes are first due and payable
 - *as defined in Section 62 of Internal Revenue Code



Deductions – Over 65

- Qualifications cont.:
 - Assessed value of the property: \leq \$200,000
 - In determining the assessed value of the property for purposes of eligibility for the Over 65 deduction, any increases in the assessed value based solely to an annual adjustment or trending under IC 6-1.1-4-4.5 are not to be considered.
 - While assessed value increases due to annual adjustments will not be considered for purposes eligibility, assessed value increases based on physical improvements will be considered for purposes of determining eligibility for the Over 65 Deduction
 - IC 6-1.1-12-9(i)



Deductions – Over 65

- Qualifications cont.:
 - The applicant must have been the owner or contract buyer at least one year prior to claiming the deduction;
 - The contract must be recorded and provide that the applicant is to pay the property taxes
 - If the property is owned by joint tenants/tenants in common, all co-owners must reside on the property; and
 - Individual applicant receives no other property tax deductions, except the following: Mortgage, Standard Homestead, Homestead Supplemental, Fertilizer Storage.



Deductions – Over 65

- For property owned by joint tenants or tenants in common:
 - If all the tenants are not 65 years of age or older, then the amount of the deduction is reduced by an amount equal to the deduction multiplied by a fraction.
 - The numerator is number of tenants that aren't at least 65 year of age, and the denominator is the total number of tenants.

Deduction Amount * $\frac{\text{Number of tenants that aren't at least 65}}{\text{Total number of tenants}}$ = Reduction to Deduction

$\$14,000 * \frac{2}{3}$ (2 out of 3 tenants not over 65) = \$9,333.33.

$\$14,000 - 9,333.33 = \$4,666.67$ Deduction for the individual applicant



Deductions – Over 65

- A surviving spouse is entitled to the deduction if:
 - The surviving spouse is at least 60 years of age on or before December 31 of the calendar year preceding the year in which the deduction is claimed;
 - The surviving spouse's deceased husband or wife was at least 65 years of age at the time of his/her death;
 - The surviving spouse has not remarried; and
 - The surviving spouse satisfies the requirements prescribed in IC 6-1.1-12-9(a)(2) – (a)(8).



Credit – Over 65 Circuit Breaker

- IC 6-1.1-20.6-8.5
- Provides a cap on property tax liability
- Qualifications:
 - Qualified for a homestead deduction in the immediately preceding year AND qualifies for the homestead deduction for the same homestead in the current calendar year
 - At least 65 years old on or before 12/31 of calendar year immediately preceding year current calendar year
 - Adjusted gross income limitation:
 - Individual filed single return: \leq \$30,000
 - Individual filed jointly with spouse, combined: \leq \$40,000
 - For calendar year preceding by 2 years the calendar year in which property taxes are first due and payable.



Credit – Over 65 Circuit Breaker

- Qualifications cont.
 - Assessed value \leq \$200,000
 - Individuals who first apply for the Over 65 Circuit Breaker Credit: AV limitation applies to all real property
 - Individuals who received the Over 65 Circuit Breaker Credit before January 1, 2020: AV limitation only applicable to the homestead property
- For an individual that has received the credit, increases in AV are not considered unless attributable to physical improvement on property.



Credit – Over 65 Circuit Breaker

- If an individual meets all eligibility requirements for the Over 65 Circuit Breaker Credit, he or she will receive a property tax cap that prevents his or her property tax liability on the qualified homestead property from increasing by more than 2%.
- Only the tax liability of the qualified homestead property benefits from the maximum 2% increase.
- Property tax liability imposed on any improvements to or expansion of the homestead property after the assessment date is not considered when determining the maximum 2% increase.
- The cap is not applied to other real property owned by the individual.



Credit – Over 65 Circuit Breaker

	2019 pay 2020	2020 pay 2021
Homestead property tax liability after all deduction from AV and other credit	\$1,000	\$1,100
Over 65 Circuit Breaker Credit	N/A	(\$80)
Homestead property tax liability after application of Over 65 Circuit Breaker Credit	\$1,000	\$1,020

- Maximum Property Tax Liability for 2020 pay 2021 limited to: $\$1,000 \times 1.02 (2\%) = \$1,020$
- Over 65 Circuit Breaker Credit Calculation:
 $(20 \text{ pay } 21) \text{ Tax Liability} - (20 \text{ pay } 21) \text{ Maximum Property Tax Liability} = \text{Credit}$
 $\$1,100 - \$1,020 = \$80 \text{ Over 65 Circuit Breaker Credit}$



Deductions and Credit – Over 65

- In order to claim the Over 65 Deduction and/or Over 65 Circuit Breaker Credit, the taxpayer must complete Form 43708 (Application for Senior Citizen Property Tax Benefits – see <https://forms.in.gov/Download.aspx?id=5070>).
 - It is filed at the County Auditor’s office where the property is located.
- For the Over 65 Deduction, the applicant (and spouse) must submit for inspection a copy of income tax return, or if not required to file income taxes, subscribe to that fact in the deduction statement filed (IC 6-1.1-12-10.1).



Deductions – Blind/Disabled

- IC 6-1.1-12-11 (and 12)
- Deduction amount: \$12,480
- Qualifications for applicant:
 - Blind or has a disability;
 - Property is used and occupied by the individual as the individual's residence;
 - Owns the real property or is buying under contract; and
 - Taxable gross income* for calendar year preceding year in which deduction is claimed doesn't exceed \$17,000.
- * For this deduction, "taxable gross income" does not include income which is not taxed under the federal income tax laws.



Deductions – Blind/Disabled

- “Blind” has same meaning as IC 12-7-2-21(1).
- Proof of blindness may be supported by:
 - (1) records of the division of family resources or the division of disability and rehabilitative services; or
 - (2) the written statement of a physician who is licensed by Indiana and skilled in the disease of the eye or of a licensed optometrist.



Deductions – Blind/Disabled

- “Individual with a disability” means a person unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment which:
 - Can be expected to result in death; or
 - Has lasted or can be expected to last for a continuous period of not less than 12 months.
- An individual with a disability shall submit proof of the disability, which could include:
 - Proof that the individual is eligible to receive disability benefits under federal Social Security Act (SSA); or
 - If disability is not covered under federal SSA, individual shall be examined by physician and status as individual with disability determined by using same standards as used by SSA.



Deductions – Blind/Disabled

- In order to claim the Blind or Disabled Person’s Deduction, the taxpayer must complete Form 43710 (Application for Blind or Disabled Person’s Deduction from Assessed Valuation – see <https://forms.in.gov/Download.aspx?id=5072>).
- It is filed at the County Auditor’s office where the property is located.
- Note: Information contained on the form is confidential pursuant to IC 6-1.1-35-9.



Deductions - Veterans

- Four deduction specific to veterans and/or their surviving spouse
 - (1) Partial Disability – Service Connected
 - IC 6-1.1-12-13
 - (2) Total Disability/Over 62 and Partial Disability – Non-Service Connected
 - IC 6-1.1-12-14
 - (3) Homestead Donated to Disabled Veteran
 - IC 6-1.1-12-14.5
 - (3) Surviving Spouse of WWI Veteran
 - IC 6-1.1-12-16



Deductions - Veterans

- In order to claim any of the four deductions listed on the previous slide, the taxpayer must complete Form 12682 (Application for Tax Deduction for Disabled Veterans and Surviving Spouses of Certain Veterans – see <https://forms.in.gov/Download.aspx?id=4735>).
- It is filed at the County Auditor's office where the property is located.



Deductions – Veteran w/Partial Disability – Service Connected

- IC 6-1.1-12-13 (and 15)
- Amount of deduction: \$24,960
- Qualifications:
 - Owns the property or buying the property under contract;
 - Served in military or naval forces of US during any of its wars;
 - Received honorable discharge; and
 - Has a disability with a service connected disability of 10% or more.



Deductions – Veteran w/Partial Disability – Service Connected

- Applicant’s service connected disability evidence by:
 1. A pension certificate, award of compensation, or a disability compensation check issued by the US Department of Veterans Affairs; or
 2. 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 IC 6-1.1-12-13.
 - State Form 51186



Deductions – Veteran w/ Total Disability/Over 62 and Partial Disability – Non-Service Connected

- IC 6-1.1-12-14 (and 15)
- Deduction Amount: \$14,000
- Qualifications:
 - Own the property or buying under contract;
 - Served in military or naval forces of US for at least 90 days;
 - Received an honorable discharge;
 - Has either:
 - A total disability;
 - At least 62 years old and has a disability of at least 10%.



Deductions – Veteran w/ Total Disability/Over 62 and Partial Disability – Non-Service Connected

- Applicant’s non-service connected disability evidence by:
 1. A pension certificate or award of compensation issued by the US Department of Veterans Affairs; or
 2. A certificate of eligibility issued to the individual by IDVA after IDVA has determined that the individual’s disability qualifies the individual to receive a deduction under IC 6-1.1-12-14
 - State Form 51186.



Deductions – Veteran w/ Total Disability/Over 62 and Partial Disability – Non-Service Connected

- Qualifications cont.:
- AV of property does not exceed \$200,000
- For purposes of determining AV of the property, increases in AV that occur after the later of 12/31/19 or the first year the individual receive the deduction are not considered unless the increase in AV is attributable to a physical improvement to the property.



Deductions – Surviving Spouse of Veteran

- Both the Partially Disabled Veteran deduction and Totally Disabled/Over 62 and Partially Disabled Veteran deduction are available to the surviving spouse of a veteran.
 - IC 6-1.1-12-13(b)
 - IC 6-1.1-12-14(b)
- The surviving spouse can still qualify for the deduction even if he/she has remarried.
- The deceased veteran did not have to own the property that the deduction will be applied.



Deductions – Homestead Donated

- IC 6-1.1-12-14.5
- Deduction Amount: 100% - 50% of the AV of the homestead depending on percentage of veteran's disability
 - Total disability = 100% of AV
 - 90 – 99% disability = 90% of AV
 - 80 – 89% disability = 80% of AV
 - 70 – 79% disability = 70% of AV
 - 60 – 69% disability = 60% of AV
 - 50 – 59% disability = 50% of AV
- “Homestead” has same meaning as set forth in IC 6-1.1-12-37.
- Can't claim this deduction and deduction under IC 6-1.1-12-13 or 14.



Deductions – Homestead Donated

- Qualifications:
 - Served in military or naval forces of the US for at least 90 days;
 - Received an honorable discharge;
 - Disability of at least 50%; and
 - Homestead 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.



Deductions – Homestead Donated

- Applicant's disability evidence by:
 1. A pension certificate or award of compensation issued by the US Department of Veterans Affairs; or
 2. A certificate of eligibility issued to the individual by IDVA after IDVA has determined that the individual's disability qualifies the individual to receive a deduction under IC 6-1.1-12-14.5.
 - State Form 51186.



Deductions – Surviving Spouse of WWI Veteran

- IC 6-1.1-12-16 (and 17)
- Deduction amount: \$18,720
- Qualifications:
 - Deceased spouse served in military or naval forces of US before November 12, 1918 (WWI);
 - Submit to auditor letter of certificate from US Department of Veterans Affairs establishing service
 - Deceased spouse received honorable discharge; and
 - Surviving spouse owns the property or buying the property under contract.
- If receive this deduction, cannot claim deduction under IC 6-1.1-12-13 (Partially Disabled Veteran’s Deduction)



Credit – Veteran Excise Tax

- Two different credits for excise tax that may be available to veterans:
 - IC 6-6-5-5 - Applies to person entitled to one of the veteran's deductions (IC 6-1.1-12-13, 14 or 16)
 - If, after application of a veteran's deduction there is an unused portion of the deduction remaining, the unused portion may be applied first toward any personal property taxes owed and then as a credit toward vehicle excise taxes.
 - The unused portion of the veteran deduction reduces the annual vehicle excise tax in the amount of \$2 on each \$100 of taxable value or major portion thereof.
 - If a veteran qualifies for this credit, IC 6-6-5-5 states that the county auditor, upon request, will furnish a certified statement to the veteran verifying the credit allowable.



Credit – Veteran Excise Tax

- (2) IC 6-6-5-5.2 - Applies to person who does not own property entitled to any of the veteran's deductions (IC 6-1.1-12-13, 14, or 16)
 - Would apply if the veteran does not own real property or if the veteran owns real property, but the veteran's deductions cannot be applied to the property
 - If a veteran qualifies for this credit, IC 6-6-5-5.2(f) requires the veteran to claim the credit on a form prescribed by the BMV (State Form 52870).
 - The statute states that the form must be accompanied by an affidavit from the county auditor stating that the veteran does not own property to which a property tax deduction may be applied under IC 6-1.1-12-13, 14 or 16.
 - Auditor does not need to determine the amount of the credit that veteran is entitled to receive (up to \$70 credit per registration year on maximum of 2 vehicles), only provide affidavit.



Deductions - Trust

- IC 6-1.1-12-17.9
- Property owned by a trust may be eligible for the following deductions:
 - Over 65 (IC 6-1.1-12-9)
 - Blind/Disabled (IC 6-1.1-12-11)
 - Partially Disabled Veteran (IC 6-1.1-12-13)
 - Totally Disabled/Over 62 and Partially Disabled (IC 6-1.1-12-14)
 - WWI Surviving Spouse (IC 6-1.1-12-16)



Deductions - Trust

- The trust-owned property must be occupied by an individual who:
 - Upon verification in the body of the deed or otherwise, has either
 - A beneficial interest in the trust; or
 - The right to occupy the real property rent free under the terms of a qualified person residence trust created by the individual under the US Treasury Regulation 25.2702-5(c)(2); and
 - Otherwise qualifies for the deduction being claimed.



Deductions – Heritage Barn

- IC 6-1.1-12-26.2
- Definitions:
 - “Barn” means a building (other than a dwelling) that was designed to be used for: (A) housing animals; (B) storing or processing crops; (C) storing and maintaining agricultural equipment; or (D) serving an essential or useful purpose related to agricultural activities conducted on the adjacent land.



Deductions – Heritage Barn

- Definitions cont.:
 - “Heritage barn” means a mortise and tenon barn that on the assessment date: (A) was constructed before 1950; and (B) retains sufficient integrity of design, materials, and construction to clearly identify the building as a barn.
 - “Mortise and tenon barn” means a barn that was built using heavy wooden timbers, joined together with wood-pegged mortise and tenon joinery, that form an exposed structural frame.



Deductions – Heritage Barn

- Definition cont.:
 - “Eligible applicant” means an
 - (A) owner of a heritage barn, or
 - (B) a person that is purchasing property, including a heritage barn, under a contract that:
 - (i) Gives the person a right to obtain title to the property upon fulfilling the terms of the contract;
 - (ii) Does not permit the owner to terminate the contract as long as the person buying the property complies with the terms of the contract;
 - (iii) Specifies that during the term of the contract the person must pay the property taxes on the property; and
 - (iv) The contract has been recorded with the county recorder.



Deductions – Heritage Barn

- An eligible applicant is entitled to a deduction against the AV of the structure and foundation of a heritage barn beginning with assessment after 2014.
- The deduction is equal to 100% of the AV of the structure and foundation of the heritage barn.
- The application to apply for the Heritage Barn deduction must be filed during the year preceding the year in which the deduction will first be applied.
- A Heritage Barn deduction terminates following a change in ownership of the heritage barn; however, the deduction does not terminate following the removal of less than all the joint owners of property or purchasers of property under a contract.



Deductions – Heritage Barn

- A county fiscal body may adopt an ordinance to require a person receiving the Heritage Barn deduction to pay an annual public safety fee for each heritage barn for which the person receives this deduction.
- The fee may not exceed fifty dollars (\$50).
- The county auditor must distribute these public safety fees equitably among the police and fire departments in whose territories each heritage barn is located.
- If an ordinance is adopted under IC 6-1.1-12-26.2, the county fiscal body shall furnish a copy of the ordinance to DLGF in the manner prescribed by DLGF.



Deductions – Heritage Barn

- In order to claim the Heritage Barn deduction, the taxpayer must complete Form 55706 (Statement of Deduction of Assessed Valuation Attributed to Heritage Barn – see <https://forms.in.gov/Download.aspx?id=12121>).
- It is filed at the County Auditor's office where the property is located.



Deductions – Environmental Deductions

- Solar energy heating or cooling system
 - IC 6-1.1-12-26 (and 27.1)
- Solar power device*
 - IC 6-1.1-12-26.1 (and 27.1)
- Wind power device
 - IC 6-1.1-12-29 (and 30)
- Hydroelectric power device
 - IC 6-1.1-12-33 (and 35.5)
- Geothermal energy heating/cooling device
 - IC 6-1.1-12-34 (and 35.5)



Deductions – Environmental Deductions

- In order to claim the Environmental Deductions, the taxpayer must complete Form 18865 (Statement for Deduction of Assessed Valuation [Attributed to Solar Energy System or Solar, Wind, Geothermal, or Hydroelectric Power Device] – see <https://forms.in.gov/Download.aspx?id=4797>).
- It is filed in duplicate at the County Auditor’s office where the property is located.
- An applicant can claim the following environmental deductions on a Sales Disclosure Form as well: (1) solar energy heating or cooling system; (2) wind power device; (3) hydroelectric power device; and (4) geothermal energy heating/cooling device.
 - NOT the solar power device deduction.



Deductions – Environmental Deductions

- General qualifications:
 - On the date the application is filed, the applicant must:
 - own; or
 - be buying under contract
 - the real property, mobile or manufactured home not assessed as real property or solar power device (or be leasing the real property from the real estate owner and be subject to assessment and property taxation with respect to the solar power device).



Deductions – Environmental Deductions

- General qualifications cont.:
 - Real property or mobile home not assessed as real property is equipped with a solar energy system, wind power device, hydroelectric power device, or geothermal energy heating or cooling device (and for purposes of the solar power device deduction, the real property is equipped with a solar power device that is assessed as a real property improvement).



Deductions – Environmental Deductions

- Application filings:
 - Application for deduction on real property must be completed and dated by 12/31 of year for which the person wishes to obtain the deduction and filed/postmarked on or before 1/5 of the calendar year in which the property taxes are first due and payable.
 - All claims for a deduction filed on a geothermal or hydroelectrical system or device must be accompanied by proof of certification by the Indiana Dept. of Environmental Management (IDEM).
 - Current IDEM Contact: ttennis@idem.in.gov.



Deductions – Environmental Deductions

- Application filings for solar power device only:
 - For state distributable property under IC 6-1.1-8, application must be completed and dated by 12/31 of year for which the person wishes to obtain the deduction and filed on or before 1/5 of the following calendar year.
 - For personal property under IC 6-1.1-3, application must be completed and dated by 12/31 of year for which the person wishes to obtain the deduction and filed on or before 1/5.
 - Applicant must also attach a Form 103-SPD to either personal property tax return or amended personal property tax return for each year the deduction is desired.



Deductions – Environmental Deductions

- A person who receives a deduction in a particular year for a:
 - (1) solar energy heating or cooling system;
 - (2) wind power device;
 - (3) hydroelectric power device; or
 - (4) geothermal energy heating/cooling device,
- and remains eligible for the deduction the following year, is not required to file a statement to apply for the deduction in the following year (IC 6-1.1-12-36).
- IC 6-1.1-12-36 does not include the deduction for a solar power device. As such, a person who receives a deduction for a solar power device would need to refile annual to receive the deduction on real property, state distributable property, and personal property.



Deductions – Environmental Deductions

- Deduction amounts:
 - Solar energy system: the maximum deduction amount equals the out-of-pocket expenditures for the components and labor involved in installing the components.
 - Solar power device, wind, hydroelectric, and geothermal: the maximum deduction amount equals the assessed value of the property with the device less the assessed value of the property without the device.
 - Solar power device assessed as distributable or personal property: the maximum deduction amount equals the assessed value of the device.



Deductions - Others

- Rehabilitated Residential Real Property
 - IC 6-1.1-12-18, 19, 20
 - IC 6-1.1-12-21, 25, 25.5
- Rehabilitated Property
 - IC 6-1.1-12-22, 23, 24
 - IC 6-1.1-12-21, 25, 25.5
- Fertilizer Storage Compliance
 - IC 6-1.1-12-38
- Real Property in Enterprise Zone
 - IC 6-1.1-12-40
- Inventory
 - IC 6-1.1-12-42
- Model Residence*
 - IC 6-1.1-12.6
- Residence in Inventory*
 - IC 6-1.1-12.8
- *doesn't include the land



Deductions

- Forms for the deductions can be found on DLGF's website: <https://www.in.gov/dlgef/forms/deduction-forms/>
- Indiana Property Tax Benefits (State Form 51781) can serve as good “cheat sheet” for the common deductions and it can be found here: <https://forms.in.gov/Download.aspx?id=6015>.



Deductions – Mobile/Manufactured Homes

- IC 6-1.1-12-40.5
 - The sum of the deductions provided under IC 6-1.1-12 to a mobile home that is not assessed as real property or a manufactured home that is not assessed as real property may not exceed one-half ($1/2$) of the AV of the mobile home or manufactured home.



Deductions and Exemptions

- IC 6-1.1-31.5-2.5 Improvements; application of deductions and exemptions
Sec. 2.5. (a) Except as provided in subsection (b), for purposes of attributing the amount of:
 - (1) a property tax deduction under IC 6-1.1-12;
 - (2) an economic revitalization area deduction under IC 6-1.1-12.1;
 - (3) an investment deduction under IC 6-1.1-12.4; or
 - (4) a property tax exemption under IC 6-1.1-10;to the gross assessed value of a property, a deduction or exemption described in subdivisions (1) through (4) that is specific to an improvement shall be applied only to the assessed value allocation pertaining to that improvement.
(b) To the extent that a deduction or exemption amount is not specific to an improvement, the deduction or exemption amount shall be applied to the gross assessed value of the property in the order that will maximize the benefit of the deduction or exemption to the taxpayer.



Deductions – Removal/Termination

- IC 6-1.1-12-45
- If a deduction is on the property as of the assessment date and the owner of the property becomes ineligible for the deduction during the calendar year, the deduction should remain on the property for the property taxes due and payable in the following year and then be removed.



Deductions – Removal/Termination

- For example, the homestead standard deduction is accurately applied to a property as of January 1, 2021, but the property owner becomes ineligible for the deduction on or before December 31, 2021. The homestead deduction should remain on the property for the 2021 pay 2022 property taxes and be removed for 2022 pay 2023 unless a new owner purchases the property and meets all eligibility requirements, including filing, for his own homestead standard deduction for 2022 pay 2023.



Deductions – Removal/Termination

- Before a county auditor terminates a deduction under IC 6-1.1-12, the auditor shall give the person claiming the deduction written notice that states the county auditor’s intention to terminate the deduction and the county auditor’s reason for terminating the deduction.
 - The county auditor may send the notice to the taxpayer claiming the deduction by first class mail or electronic mail.
 - This particular notice is not appealable under IC 6-1.1-15; however, after a deduction is terminated by a county auditor, the taxpayer may appeal the action under IC 6-1.1-15.



Exemptions



Exemptions

- Article 10, Section 1 of the Indiana Constitution permits the Legislature to exempt certain classes of property from property taxation.
- IC 6-1.1-10 contains most of the exemptions available, but other exemptions may be found throughout the Code.
- Exemption procedures are found in IC 6-1.1-11. The procedures include application requirements, deadlines, etc.



Exemptions

- An exemption is a privilege which may be waived by a person who owns tangible property that would qualify for the exemption. IC 6-1.1-11-1.
- The burden is on the applicant to show that the predominant part of the property claimed to be exempt is substantially related to the exercise or performance of the applicant's exempt purpose. IC 6-1.1-11-3(d).



Exemptions

- An exemption may include real property, personal property, or both.
- An exemption amount may be up to 100%, or a certain percentage, depending on the circumstances.
- The taxpayer must submit evidence that the property qualifies for exemption under a specific statute.
- Failure to provide documentation such as Articles of Incorporation, By-laws, and Income and Expense Statements, may result in the denial of the exemption sought.



Exemptions - Procedure

- IC 6-1.1-11-3 (a)
- Provides that the owner of property who wishes to obtain an exemption must file a certified application (Form 136) in duplicate with the county assessor where the property is located on or before April 1 of the assessment year.
 - e.g. April 1, 2021, for the 2021-pay-2022 property taxes.
- IC 6-1.1-11-4
- However, the exemption application is not required if the exempt property is owned by: (1) the United States; (2) the state; (3) an agency of this state; or (4) a political subdivision (as defined in IC 36-1-2-13 on next slide). This exception applies only when the property is used, and, in the case of real property, occupied, by the owner.



Political Subdivisions

- 6-1.1-11-4
- IC 36-1-2-13 states that “political subdivision” means municipal corporation or special taxing district.
- “Municipal corporation” means a unit (defined below), school corporation, library district, local housing authority, fire protection district, public transportation corporation, local building authority, local hospital authority or corporation, local airport authority, special service district, or other separate local governmental entity that may sue and be sued. The term does not include special taxing district (IC 36-1-2-10).
- “Special taxing district” means a geographic area within which a special tax may be levied and collected on an ad valorem basis on property for the purpose of financing local public improvements that are:
 - (1) not political or governmental in nature; and
 - (2) of special benefit to the residents and property of the area (IC 36-1-2-18).
- “Unit” means county, municipality, or township (IC 36-1-2-23).



Exemptions - Procedures

- IC 6-1.1-11-3(h)
- A person seeking an exemption may file an exemption application up to three (3) years following the deadline set forth in IC 6-1.1-11-3(a) if:
 - (1) the property on which the person seeking an exemption was exempt from taxation for the tax year immediately before the deadline set forth in subsection (a); and
 - (2) the person seeking an exemption would have been eligible for the exemption on the deadline set forth in subsection (a).
- IC 6-1.1-11-3(h) does not extend the deadline for an appeal of a denial of an exemption application.



Exemptions - Procedure

- IC 6-1.1-11-3(i)
- A person seeking an exemption under IC 6-1.1-10-16 (Building, land, and personal property used for various purposes) may file an exemption application up to thirty (30) days following the deadline set forth in IC 6-1.1-11-3(a) if the person pays a late filing fee equal to the lesser of:
 - (1) twenty-five dollars (\$25) for each day after the deadline set forth in subsection (a); or
 - (2) two hundred fifty dollars (\$250).
- The county auditor shall deposit all money collected under this subsection in the county's property reassessment fund.



Exemptions - Procedure

- The exemption application is considered by the county PTABOA.
- If the application is rejected in whole or in part, notice of that action must be given to the applicant on Form 120, found here:
<https://forms.in.gov/Download.aspx?id=5600>
- An applicant may appeal to the Indiana Board of Tax Review (IBTR) within forty-five (45) days from the date the notice of rejection (Form 120) is given by the county PTABOA (IC 6-1.1-11-7).
- The appeal must be filed with IBTR on Form 132 and a copy must be mailed to the county assessor (IC 6-1.1-15-3).



Exemptions - Procedure

- IC 6-1.1-11-4(d)
- Ordinarily, the exemption application must be re-filed every even year unless:
 - the exempt property is:
 - tangible property used for religious purposes described in IC 6-1.1-10-21;
 - tangible property owned by a church or religious society used for educational purposes described in IC 6-1.1-10-16;
 - other tangible property owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes described in IC 6-1.1-10-16; or
 - other tangible property owned by a fraternity or sorority (as defined in IC 6-1.1-10-24).
 - (B) the exemption application was filed properly at least once for a religious use under IC 6-1.1-10-21, an educational, literary, scientific, religious, or charitable use under IC 6-1.1-10-16, or use by a fraternity or sorority under IC 6-1.1-10-24; and
 - (C) the property continues to meet the requirements for an exemption under IC 6-1.1-10-16, IC 6-1.1-10-21, or IC 6-1.1-10-24.



Exemptions – What if the Ownership or Use Changes?

- IC 6-1.1-11-4(e)
- If an exempt property is transferred or its use is changed after an assessment date, the transfer or change of use will not affect the property's eligibility for an exemption for that assessment date.
- For the following assessment date, the person that obtained the exemption or the current owner of the property (as applicable) is required to file a certified application in duplicate with the county assessor of the county where the property is located to notify them of the change.
 - This is done on Form 136-CO/U
 - New owner would have to apply for exemption in his/her own name.



Exemptions – Political Subdivision and Municipal Property

- IC 6-1.1-10-4
- Political subdivision property
- Except as otherwise provided by law, the property owned by a political subdivision of this state is exempt from property taxation.

- IC 6-1.1-10-5
- Municipal property
- (a) Property is exempt from property taxation if it is owned by a city or town and is used to provide a municipal service.
 - For purposes of this section, property used to provide a municipal service includes:
 - a public school or library;
 - a municipally owned park, golf course, playground, swimming pool, hospital, waterworks, electric utility, gas or heating plant, sewage treatment or disposal plant, cemetery, auditorium, or gymnasium; and
 - any other municipally owned property, utility, or institution.



Exemptions - Political Subdivision and Municipal Property

- And remember...
 - An exemption application is not required if the exempt property is owned by the United States, the state, an agency of the state, or a political subdivision (which includes municipal property).



Exemptions – Urban Homesteading Property

- IC 6-1.1-10-5.5
- Urban homesteading property
- Real property that is held under IC 36-7-17 or IC 36-7-17.1 and that is conveyed by contract with retention of the deed by the city is deemed to be the property of the city held for municipal purposes and is exempt from property taxation.
- IC 36-7-17 – Urban Homesteading
- IC 36-7-17.1 – Alternative Urban Homesteading Program for Qualified Individuals.



Exemption – Municipally Owned Water Company Property

- IC 6-1.1-10-6
- Municipally owned water company property
- (a) Property which is owned by a domestic corporation of this state is exempt from property taxation if:
 - the corporation owns a water system or waterworks;
 - the corporation is, pursuant to a contract, supplying its entire output of water at wholesale rates to a city or town of this state; and
 - the city or town which receive the water owns at least ninety-five percent (95%) of the corporation's capital stock.



Exemptions - Nonprofit Water & Sewage Disposal Co.

- IC 6-1.1-10-7
- Nonprofit water companies
- Property is exempt from property taxation if it is owned by a non-profit corporation which is engaged in the sale and distribution of water; however, this exemption only applies if the corporation is operated on a not-for-profit basis.

- IC 6-1.1-10-8
- Nonprofit sewage disposal company
- Property is exempt from property taxation if it is owned by a non-profit corporation which is engaged in a sewage disposal service within a rural area of this state; however, this exemption only applies if the corporation is operated on a not-for-profit basis.



Exemptions – Industrial Waste Control Facility

- IC 6-1.1-10-9
- Industrial waste control facilities
- (a) For purposes of this section, “industrial waste control facility” means personal property which is:
 - included either as a part of or an adjunct to a privately owned manufacturing or industrial plant or coal mining operation; and
 - used predominantly to:
 - prevent, control, reduce, or eliminate pollution of a stream or a public body of water located within or adjoining this state by treating, pretreating, stabilizing, isolating, collecting, holding, controlling, or disposing of waste or contaminants generated by the plant; or
 - meet state or federal reclamation standards for a coal mining operation. . . .



Exemptions – Industrial Waste Control Facility

- The term “industrial waste control facility” includes personal property that is under construction or in the process of installation and that will be used for the purposes described in this subsection when placed in service. The term also includes spare parts held exclusively for installation in or as part of personal property that qualifies for the exemption under this section.
- (b) An industrial waste control facility is exempt from property taxation if it is not used in the production of property for sale.



2021 Legislation - Industrial Waste Control Facility Exemption

- Senate Enrolled Act 271, Section 1 (eff. 1/1/21)
 - IC 6-1.1-10-10
 - Eliminates the requirement for a property owner to mail a copy of the exemption claim to the Indiana Department of Environmental Management (IDEM).
 - Removes the ability of IDEM to certify a determination on an industrial waste control facility for an exemption application to the assessing official.



2021 Legislation - Industrial Waste Control Facility Exemption

- Senate Enrolled Act 271, Section 1
 - Local assessing officials may now investigate any claims under the industrial waste control facility exemption application and determine whether the property is being utilized as an industrial waste control facility.
 - The assessor may require additional documents from the property owner to support the property owner's exemption claim.



Exemptions – Real Property Improvements

- IC 6-1.1-10-16.7
- An exemption from property taxation for improvements on real property that were constructed, rehabilitated, or acquired for the purposes of providing low-income housing.



2021 Legislation – Real Property Improvements

- Senate Enrolled Act 214, Section 2 (effective 1/1/22)
- IC 6-1.1-10-16.7
- Removes specific references to qualifications for the exemption for assessments that occurred prior to Jan. 1, 2018 and assessments that occurred after Dec. 31, 2017.
- It also adds the following three new statutes to IC 6-1.1-10-16.7 in which the owner of the property can enter into an agreement to make payments in lieu of property taxes (PILOTS): IC 36-1-8-14.3, IC 36-2-6-23, or IC 36-3-2-12 (effective 1/1/22)
 - IC 36-1-8-14.3 - a city, town, or county (other than Indianapolis/Marion County) (Section 3 of SEA 214)
 - IC 36-2-6-23 - a county (Other than Marion County) (Section 4 of SEA 214)
 - IC 36-3-2-12 - Indianapolis/Marion County (Section 5 of SEA 214)



Exemptions – Church/Religious Society

- IC 6-1.1-10-21
- The tangible property is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society:
 - A building that is used for religious worship.
 - The pews and furniture contained within a building that is used for religious worship.
 - The tract of land upon which a building that is used for religious worship is situated.
 - A building that is used as a parsonage.
 - The tract of land, not exceeding fifteen (15) acres, upon which a building that is used as a parsonage is situated.



Exemptions – Church/Religious Society

- IC 6-1.1-10-21
- To obtain an exemption for parsonages, a church or religious society must provide the county assessor with an affidavit at the time the church or religious society applies for the exemptions.
- The affidavit must state that:
 - (1) all parsonages are being used to house one (1) of the church's or religious society's rabbis, priests, preachers, ministers, or pastors; and
 - (2) none of the parsonages are being used to make a profit.
- The affidavit shall be signed under oath by the church's or religious society's head rabbi, priest, preacher, minister, or pastor.



2021 Legislation - Religious Use Exemption

- House Enrolled Act 1353 (effective 1/1/21)
 - Amended IC 6-1.1-10-21 and IC 6-1.1-5.5 (Sales Disclosure Form)
 - Beginning Jan. 1, 2022, when exempt property owned by a church or religious society is transferred to another church or religious society to be used for the same exempt purpose, the transferee church or religious society is not required to file a certified exemption application with the county assessor.
 - The transferee church/religious society will sign an attestation on the Sales Disclosure Form for the transaction in which they will attest to the fact they will continue to use the property for the same tax-exempt purpose provided by IC 6-1.1-10-21.



2021 Legislation - Religious Use Exemption

- House Enrolled Act 1353
- A county assessor that reasonably suspects that the property transferred is no longer being used by a church or religious society for the same tax-exempt purpose may request articles of incorporation or bylaws to confirm the attestation. The request for articles of incorporation or bylaws to confirm the attestation must:
 - (1) be made in writing; and
 - (2) include a written explanation of the assessor's reasonable suspicion describing why the assessor believes that the property transferred is no longer being used by the church or religious society for the same tax-exempt purpose.



Exemptions – Miscellaneous Organizations

IC 6-1.1-10-25 Miscellaneous organizations

- So long as the property is exclusively used, and in the case of real property actually occupied, for the purposes and objectives of the organization the following are exempt from property taxation:
 - 1) YMCA
 - 2) The Salvation Army, Inc.
 - 3) The Knights of Columbus
 - 4) The Young Men's Hebrew Association
 - 5) The Young Women's Christian Association
 - 6) A chapter or post of Disabled American Veterans of WWI or WWII
 - 7) A chapter or post of the Veterans of Foreign Wars
 - 8) A post of the American Legion
 - 9) A post of the American War Veterans
 - 10) The Boys Scouts of America
 - 11) The Girl Scouts of the U.S.A.



Exemptions - Others

- Stationary/unlicensed mobile air pollution control system (IC 6-1.1-10-12)
- Public Airports (IC 6-1.1-10-15)
- Building, land, and personal property used for various purposes (IC 6-1.1-10-16)
- Memorial corporation property (IC 6-1.1-10-17)
- Nonprofit corporation supporting fine arts (IC 6-1.1-10-18)
- Nonprofit corporation property used in operation of health facility or home for the aged (IC 6-1.1-10-18.5)
- Public Libraries (IC 6-1.1-10-19)
- Manual labor, technical, or trade schools; colleges (IC 6-1.1-10-20)
- Dormitories for church colleges and universities (IC 6-1.1-10-22)
- Fraternal benefit associations (IC 6-1.1-10-23)
- Fraternity or sorority property (IC 6-1.1-10-24)
- County or district agricultural associations (IC 6-1.1-10-26)
- Cemetery corporations (IC 6-1.1-10-27)
- Free medical clinics (IC 6-1.1-10-28)



Exemptions – Outside of 6-1.1-10

IC 8-10-1-27

Tax Exemptions (for ports)

- (b) As the operation and maintenance of a port or project by the ports of Indiana will constitute the performance of essential governmental functions, the ports of Indiana shall not be required to pay any taxes or assessments upon any port or project or any property acquired or used by the ports of Indiana...



Exemptions – Outside of 6-1.1-10

- War Monuments
 - IC 10-18-1-36
 - All property constituting a memorial or used in connection with a memorial.
 - IC 10-18-2-22
 - All property that is: (1) part of a county world war memorial; (2) part of a joint county & city world war memorial; (3) used in connection with a world war memorial; or (4) acquired by a county or city for any purpose authorized under IC 10-18-2.
 - IC 10-18-3-12
 - Property used for the erection, establishment, management, maintenance, repair, improvement, and extension of a county memorial.



Exemptions – Outside of 6-1.1-10

- War Monuments
 - IC 10-18-4-21
 - All property: (1) constituting a city World War memorial; (2) constituting a joint county and city World War memorial; or (2) used or acquired in connect with joint county and city World War memorial.
 - IC 10-18-7-9
 - Stock and property of a memorial corporation.
 - IC 23-7-7-3
 - Battlegrounds or other historic sites acquired for the purpose of maintaining or improving for historical purposes.



Exemptions – Outside of 6-1.1-10

- Hospital Facilities
 - IC 5-1-4-26 (Hospital Bonding Authorities)
 - Authorities not required to pay any taxes or assessment upon or in respect of a project or any property acquired or used by authority.
 - IC 16-22-6-34 (County Hospital Building Authority)
 - Property owned by the authority is exempt from taxation.



Exemptions – Outside of 6-1.1-10

- Educational Entities
 - State Educational Facilities (IC 21-34-8-3)
 - State Educational Facilities, Construction and Operation of Fieldhouses, Gymnasiums, Student Unions, and Halls of Music (IC 21-35-2-19)
 - State Educational Facilities, Certain Support Facilities and Research Facilities (IC 21-35-3-20)



Exemptions – Outside of 6-1.1-10

- Certain Boards, Commissions, & Authorities
 - Redevelopment Authority (IC 36-7-14-37)
 - Real property acquired.
 - Redevelopment Areas in Marion Co. (IC 36-7-15.1-25)
 - Real property acquired – while owned by district.
 - Urban Mass Transportation Systems (IC 36-9-4-52)
 - Property acquired by a municipality or public transportation corporation under IC 36-9-4.



Exemptions – Outside of 6-1.1-10

- Certain Boards, Commissions, & Authorities
 - County Building Authority (IC 36-9-13-36)
 - All property and revenues of authority.
 - County Capital Improvement Board (IC 36-10-8-18)
 - All property owned or used and all income and revenues received by the board.
 - Marion Co. Capital Improvement Board (IC 36-10-9-18)
 - All property owned or used and all income and revenues received by the board.



Exemptions – Common Area

- IC 6-1.1-10-37.5
- Common areas; exemption from property taxation
- Defines “common area” as a parcel of land in a residential development that:
 - is legally reserved for the exclusive use and enjoyment of all lot owners;
 - is owned by the developer, or each lot owner, or a person or entity that holds title to the land in a fiduciary capacity for the benefit of the lot owners;
 - cannot be transferred for value to another party without approval of the lot owners;
 - does not include a Class 2 structure; and
 - is no designed or approved for the construction of a Class 2 structure.



Exemptions – Common Area

- How is exemption applied?
 - A common area is exempt from property taxation, provided that the common area easement and covenants restricting the use and conveyance of common areas to lot owners are recorded, and notice is provided, to the appropriate county or township assessor.
 - Notice via a letter would be sufficient.
 - If an assessor determines that the area is not a common area or determines that the area fails to meet the requirements under statute, the assessor must send a written statement to the owner not later than 30 days after receiving notice from the owner.



Exemptions Meet Deductions

- IC 6-1.1-12-46
- Eligibility of transferred property for certain deductions
- For an assessment date in 2011 or later, if:
 - Real property is not exempt on the assessment date;
 - The title is transferred before December 31; and
 - The new owner applies for an exemption for the next assessment date and the PTABOA determines the new owner qualifies for the exemption;
- for the non-exempt assessment date, any deductions and related tax cap credits should be applied to the property such that the exempt property will benefit.



Exemptions Meet Deductions - Example

- John Smith owns a property as of January 1, 2020, and is eligible to receive the homestead and mortgage deductions on this property.
- The property is not exempt for the January 1, 2020, assessment date.
- John Smith sells his property to a church on or before December 31, 2020.
- The church applies for an exemption for the January 1, 2021, assessment date and the PTABOA determines it is exempt for the January 1, 2021, assessment date.
- The church will receive the benefit of John Smith's deductions for the 2020-pay-2021 property taxes, as well as the property tax cap that would have been applied to the property under John Smith's ownership.
- The church's exemption will apply for the 2021-pay-2022 property taxes.



Lease of Exempt Property

- IC 6-1.1-10-37
- Leases of exempt property; effect
- In general:
 - If real property that is exempt from taxation is leased to another whose property is not exempt and the leasing of the real property does not make it taxable, the leasehold estate and the appurtenances to the leasehold estate shall be assessed and taxed as if they were real property owned by the lessee or his assignee.
 - If personal property that is exempt from taxation is leased to another whose property is not exempt and the leasing of the personal property does not make it taxable, the leased personal property shall be assessed and taxed as if it were personal property owned by the lessee or his assignee.



Leases & Contracts

- IC 6-1.1-11-3.8
- Notice to county assessor of lease of certain property; county assessor notice to department of local government finance; department rules
- The lessor of exempt State or political subdivision property leased to an entity other than a nonprofit entity, governmental entity, or an individual who leases a dwelling unit in a public housing project, specified nursing facility, assisted living facility, or an affordable housing development must notify the county assessor of the county in which the real property is located in writing of:
 - the existence of the lease;
 - the terms of that lease; and
 - the name and address of the lessee.
- Each county assessor must annually notify the DLGF in writing of this information.



Leases & Contracts

- IC 6-1.1-10-41
- Exempt property purchased under contract of sale by person not qualifying for exemption
- If exempt State or political subdivision real or personal property:
 - is being purchased under a contract of sale by another person:
 - whose real or personal property is not exempt from taxation; and
 - who is not engaged in an exempt purpose with the real or personal property; and
 - the contract of sale does not make the real or personal property taxable;
- the real or personal property shall be assessed and taxed as if the real or personal property were owned by the purchaser or the purchaser's assignee.



Leases & Contracts - Examples

- IC 20-47-2-21 (School Corporations & Public Holding Companies)
- Property owned by a lessor corporation entering into a lease with a school corporation and all stock and other securities issued by a lessor corporation are exempt from all taxes – except financial institutions tax (IC 6-5.5)
- IC 20-47-3-15 (School Corporations & Private Holding Companies)
- School buildings leased by a lessor corporation entering into a lease with a school corporation are exempt from all taxes – however, the rental payments to the lessor corporation under terms of a lease are subject to applicable taxes.



Leases & Contracts - Examples

- IC 8-1.5-2-31 (Leased Waterworks Facilities)
- All waterworks facilities leased by a lessor contracting with a municipality are exempt from all taxes – however, the rental payments to the lessor under terms of a lease are subject to applicable taxes.
- IC 36-1-10-18 (Structures, Systems & Transportation Projects)
- Structures, transportation projects, and systems leased by a lessor contracting with the political subdivision or agency are exempt from all taxes – however, the rental payments to the lessor under terms of a lease are subject to applicable taxes.



Leases & Contracts - Examples

- State Educational Institutions (IC 21-31-4-3)
 - All of the following are exempt from property taxation on any real estate leased under IC 21-31-4:
 - Ball State University;
 - Indiana University;
 - Indiana State University;
 - Purdue University; and
 - University of Southern Indiana.
 - However, the lessee is liable for property taxes on the leased real estate as if it were owned in fee simple, unless the lessee is a student living in facilities owned by the state educational institution.



2021 Legislation - Exemption

- On April 29, 2021, Governor Holcomb signed into law Senate Enrolled Act 336-2021 (“SEA 336”). Section 1 of SEA 336, effective January 1, 2022, amends IC 6-1.1-3-7.2 by increasing the acquisition cost of a taxpayer’s total business personal property in a county from \$40,000 to \$80,000 for purposes of receiving a business personal property tax exemption.



DLGF Memos

- Memos released by DLGF on 2021 legislation affecting assessments and exemptions:
 - <https://www.in.gov/dlgf/files/memos/210526-Bennett-Memo-Assessment-Matters-Legislative-Update-Memo.pdf>
 - <https://www.in.gov/dlgf/files/memos/210618-Bennett-Memo-Legislation-Affecting-Exemptions.pdf>



Frequently Asked Questions



FAQ - Deductions

- Question: Three individuals own three separate properties as joint tenants in common. Can they each claim a mortgage deduction on one of the three properties?
- Answer: Yes. IC 6-1.1-12-1 (b) states that each year a person who is a resident of Indiana may receive a mortgage deduction for mortgaged real property that he or she owns. Each owner could claim a mortgage deduction on one of the three properties; however, no one property could have more than one mortgage deduction.



FAQ - Deductions

- Question: A Husband and Wife are both veterans. Can they each claim their own veteran's deduction on the same parcel?
- Answer: Yes. So long as both the Husband and Wife meet the eligibility requirements for the deduction, they can both claim it on the same parcel. IC 6-1.1-12 does not limit the number of veteran deductions that can be applied to the same parcel.



FAQ - Deductions

- Question: Jane Smith owns two properties (A and B). On 1/1/19, she has a valid Homestead deduction on Property A. On 8/1/19, Jane moves her primary place of residence to Property B and timely files for the Homestead deduction on property B for 2019 pay 2020. Can Jane receive a Homestead deduction on both properties for 2019 pay 2020?



FAQ - Deductions

- Answer: Yes. Normally individuals and married couples are limited to one homestead deduction each year; however, IC 6-1.1-12-37(h) states that this limitation does not apply to property (Property B) in the first year for which a homestead deduction is claimed if the sole reason that a deduction is claimed on other property (Property A) is that the individual or married couple maintained a principal residence at the other property (Property A) on the assessment date in the same year in which an application for a deduction is filed.
 - For the next assessment date (1/1/20), the homestead deduction on the first property (Property A) would be removed.
 - IC 6-1.1-12-37(h) does not state that the second property (Property B) in which an application for a homestead deduction is first filed must be property that the taxpayer did not own on the assessment date in question (i.e., newly purchased property).



FAQ - Deductions

- Question: If the Wife is claiming the Over 65 Deduction Deduction, can the Husband claim the Blind/Disabled Deduction on the same parcel?
- Answer: Yes. Although an individual receiving the Over 65 Deduction is limited in what other deductions he/she can claim (Mortgage, Homestead, Homestead Supplemental and Fertilizer Storage; IC 6-1.1-12-9(a)(7)), the statute does not prohibit other owners of the property from claiming deductions available to them. The limitation applies to the individual receiving the Over 65 deduction.
 - The Husband could claim the Blind/Disabled Deduction on the parcel and the Wife could claim the Over 65 Deduction on the same parcel if all eligibility requirements are met.



FAQ - Exemption

- Question: Why are some properties automatically exempt from taxation, and why do some have to fill out Form 136?
- Answer: Properties that are exempt by law, such as those owned by federal, state, or local units of government are exempt and do not require an exemption application. Other entities, that are exempt by filing (e.g., those that are owned, used, or occupied for educational, literary, scientific, religious or charitable purposes) must file and receive approval for their exemption application (IC 6-1.1-11-4).



FAQ - Exemption

- Question: A church sold their property to a couple for personal use in June 2021. When should the religious exemption come off?
- Answer: The exemption would come off for the 2022 pay 2023. IC 6-1.1-11-1.5(b) provides that for a property awarded an exemption, an act occurring after an assessment date, including a change in the use or ownership of the tangible property, does not affect the eligibility of the tangible property for an exemption for that assessment date.
- IC 6-1.1-11-4(e) states that “if, after an assessment date, an exempt property is transferred or its use is changed resulting in its ineligibility for an exemption under IC 6-1.1-10, the county assessor shall terminate the exemption for the next assessment date.”



FAQ - Exemption

- Question: A for-profit entity sells property to the County on August 1, 2020. The property qualifies for a tax exemption. When should the County's property tax exemption become effective?
- Answer: 2021 pay 2022. IC 6-1.1-11-1.5 states that eligibility for an exemption is as of the assessment date. A change in ownership after the assessment date does not affect the eligibility or non-eligibility of the property for an exemption.



FAQ - Exemption

- Question: If a public university or nonprofit owns a building but leases a portion of the building to a for-profit entity, is the for-profit entity required to pay property taxes on their portion of the leased space?
- Answer: Under IC 6-1.1-10-37(b), if real property that is owned by an exempt entity is leased to another whose property is generally not exempt, the leasehold estate shall be assessed and taxed as if it were real property owned by the lessee. It would be up to the property owner to decide who/how the property taxes are paid. They may wish to require the lessee/tenant to pay the property taxes.



FAQ - Exemption

- Question: If a for-profit entity owns a building but leases a portion of the building to a non-profit entity, is the portion of the building leased to the non-profit entity exempt from property taxes?
- Answer: Leasing property to an exempt organization does not qualify the titled owner of the property for the charitable property tax exemption. For a property to qualify for a charitable exemption, the taxpayer must demonstrate that its property is owned for exempt purposes, occupied for exempt purposes, and predominately used for exempt purposes.
 - See Hamilton Co. Property Tax Assessment Bd. vs. Oaken Bucket Partners, LLC, 938 N.E.2d 654 (Ind. 2010).



FAQ - Exemption

- Question: If a for-profit entity owns a building but leases a portion of the building to a state agency, is the portion of the building leased to the state agency exempt from property taxes?
- Answer: Yes, if the lease requires the state agency to reimburse the owner for property taxes. IC 6-1.1-10-2 states that real property leased to a state agency is exempt from property taxes if the lease, regardless of the commencement date, requires the state agency to reimburse the owner for property taxes. If a state agency leases less than all of a parcel of real property, the exemption provided by IC 6-1.1-10-2 is a partial exemption that is equal to the part of the gross assessed value of the real property attributable to the part of the real property leased by the state agency.



FAQ - Exemption

- Question: The City is in the process of purchasing two parcels, but the purchase is still under contract. Is the City exempt from the property taxes on the parcels while under contract?
- Answer: No. The exemption from property taxes for political subdivisions (IC 6-1.1-10-4) and municipal property (IC 6-1.1-10-5) applies only if the City owns the property. After the City obtains ownership of the parcels, it could request cancellation from the county of any outstanding taxes under IC 6-1.1-36-7.



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