



# Department of Local Government Finance

## Property Tax Deductions & Credits Overview

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# Agenda

- Definitions & Basics
- Blind or Disabled Credit
- Over 65 Credit and Over 65 Circuit Breaker
- Veterans' Deductions
- Homestead Deductions
- Trust-Owned Property Deductions
- Heritage Barn Deduction
- New Deductions and Credits
- Recently Expired Deductions



# Definitions & Basics



# Deductions, Exemptions & Credits

- What's the difference between a deduction, an exemption, and a credit?
  - A *deduction* reduces the assessed value ("AV") being taxed.
  - An *exemption* excludes property from assessment and/or taxation.
  - A *credit* reduces the tax bill.



# Examples

- **Exemption** → property that is not taxable (to whatever extent).
  - E.g., churches, charitable organizations
  - Ind. Code § 6-1.1-10; Ind. Code § 6-1.1-11
- **Deduction** → reduces the taxable AV of a property by a certain dollar amount.
  - E.g., Homestead, Supplemental Homestead, Disabled Veteran
  - Ind. Code § 6-1.1-12
- **Credit** → reduces the net tax bill by a designated amount/percentage or prevents a tax bill from exceeding a certain percentage.
  - E.g., Over 65, Blind or Disabled, Over 65 Circuit Breaker, Supplemental Homestead
  - Ind. Code § 6-1.1-20.6; Ind. Code § 6-1.1-51.3



# What is a Deduction?

- A situation where a taxpayer is permitted to subtract a fixed dollar amount from the AV of a property. (Ind. Code § 6-1.1-1-5)
- Contrast this with an exemption: A situation where a certain type of property, or the property of a certain kind of taxpayer, is not taxable under property tax laws. (Ind. Code § 6-1.1-1-6)
- For each year that a deduction from the AV of property is allowed, the AV remaining after the deduction is the basis for taxation of the property. (Ind. Code § 6-1.1-12-0.5)



# Applying Against Assessed Value

Assessed Value of Real Estate	\$200,000
– Less Homestead Deduction	– \$48,000
– Less Supplemental Homestead	– \$60,800
– <u>Less Disabled Vet Deduction (Service-Connected)*</u>	<u>– \$24,960</u>
Net Assessed Value of Property	\$66,240

- \*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; see Ind. Code § 6-1.1-12-40.5).
- Deduction applications must be filled out, signed, and filed or postmarked by January 15 for Pay 2026 taxes.





# Order of Operations – Ind. Code § 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.



# Order of Operations

- Below is an outline of the order of operations for applying exemptions, deductions, and credits to an individual's property tax liability:

Order of Operations		Protected (Debt)	Exempt (Referendum)
1	Exemptions	N/A	N/A
2	Deductions	N/A	N/A
3	Local Property Tax Credits (PTC)	N/A	N/A
4	Property Tax Caps	Yes	Yes
5	Over 65 Credit or Blind/Disabled Credit (NEW)	No	No
6	Supplemental Homestead Credit (NEW)	No	Yes
7A	Over 65 Circuit Breaker Credit	No	No
7B	County Option Circuit Breaker Credit	No	Yes
8	County Option Homestead Relief Credit (NEW)	N/A	N/A



# Deduction vs. Exemption – Similarities

- In both cases,
  - The government foregoes a certain amount of revenue. It's a kind of government expense.
  - Provides relief to property owners.
  - Tax burden shifts to other taxpayers.



# Deduction vs. Exemption - Differences

## Procedurally Different

- Deductions: filed with and approved by county auditor
- Exemptions: filed with county assessor and approved by county Property Tax Assessment Board of Appeals ("PTABOA")

## Policy Focus

- Deductions are also geared toward providing relief to a class of taxpayers the legislature believes should get relief as a matter of policy.
- E.g., financially burdened taxpayers would devote less of their income to paying property tax.
- E.g., property owners who have certain improvements the legislature believes should not be taxed or taxed less.



# Deduction vs. Exemption – More Differences

- Exemptions Geared Toward
  - Incentivizing certain services in a community, especially if the government would get less in taxes from the service providers than what it would spend to provide that service itself.
    - E.g., charitable exemption, libraries, nonprofit utilities
  - Incentivizing economic activity
    - E.g., for-profit early childhood education providers, property located in an Innovation Development District
- Deductions  $\neq$  Exemptions



# Deductions & Credits – Two Broad Categories

- Characteristic of the Property
  - Mortgage (Pre-2023)
  - Homestead Standard & Supplemental
  - Solar/Geothermal Heating and Cooling System (Pre-2025)
  - Solar Power Device (Pre-2025)
  - Heritage Barn
  - Fertilizer Storage (Pre-2025)
  - Tax Cap category
- Characteristic of the Taxpayer
  - Blind or Disabled
  - Over 65
  - Veterans



# Blind or Disabled Credit



# Blind and Disabled Credit - Qualifications

- Provides for a credit of \$125 against local property taxes imposed on real property or on a mobile/manufactured home, if:
  - The taxpayer:
    - Is blind or has a disability.
    - Uses and occupies the property as the individual's residence.
    - Owns or is buying the property through recorded contract on the date of applying.
- Applicant must complete, sign, and file application with auditor on or before January 15 of the year the property taxes are due and payable.





# Defining Blindness & Disability

- Blindness:
  - Ind. Code § 6-1.1-51.3-2(c)
  - Refers to Ind. Code § 12-7-2-21(1)
- Disability:
  - Ind. Code § 6-1.1-51.3-2(d)
  - Individual is unable to engage in any substantial gainful activity by reason of a medically determinable physical 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 twelve (12) months.



# Blind and Disabled Credit – Disability Records

- Proof of Disability:
  - Ind. Code § 6-1.1-51.3-2(e) – (f)
  - Proof of eligibility to receive disability benefits under the federal Social Security Act will be sufficient.
  - An individual with a disability not covered under the federal Social Security Act shall be examined by a physician using the same standards used by the Social Security Administration. Costs are to be borne by the taxpayer.



# Blind and Disabled Credit – Records

- Proof of Blindness
  - Ind. Code § 6-1.1-51.3-2(c), (h)
  - Less explicit than deduction statute
  - Must provide documentation necessary to substantiate eligibility
  - May be supported by:
    - Records of division of family resources or division of disability of rehabilitative services;
    - Written statement of a physician or optometrist licensed in Indiana and skilled in diseases of the eye.



# Blind and Disabled Credit vs Deduction

- Differences between new credit and old deduction:
  - Income limitation removed from credit; was previously \$17,000 for the deduction.
  - The credit is not a deduction and therefore is not subject to the general limit on deductions for mobile and manufactured homes, which limits the sum of deductions to not more than 1/2 the value of the property. (Ind. Code § 6-1.1-12-40.5)



# Over 65 Credit & Over 65 Circuit Breaker

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# Over 65 Credit – Qualifications Generally

- Provides for a credit of \$150 against local property taxes imposed on real property or mobile/manufactured home, if:
  - 65 years of age or older by December 31 before the year the credit is claimed.
  - Applicant has owned or has been buying under contract the real property or mobile/manufactured home for at least one (1) year before claiming the credit.
  - Applicant owns or is buying the property through recorded contract on the date of applying.
  - Income threshold is based on how income tax return is filed or joint ownership
    - If filing single: \$60,000
    - If married filing jointly: \$70,000
    - If property is shared among joint owners: \$70,000 (combined).

*Ind. Code § 6-1.1-51.3-1(a)*



# Over 65 Credit – Surviving Spouses

- A surviving spouse is entitled to the credit under the following conditions:
  - The surviving spouse is at least sixty (60) years or older by December 31 before the year the credit is claimed.
  - The surviving spouse's deceased husband or wife was at least sixty-five (65) years old at the time of death.
  - The surviving spouse has not remarried.
- Meant to allow the surviving spouse of the deceased individual who would have otherwise qualified for the credit to get the credit even if the spouse is not themselves over 65.

*Ind. Code § 6-1.1-51.3-1(e)*



# Over 65 Credit – Convalescence & Co-Ownership

- While state law does not require that the individual reside on the property or use it as their principal place of residence, the individual may not be denied the credit for being absent from the property while in a nursing home or a hospital.
  - Meant to protect taxpayers who otherwise qualify but may be away from their residence for medical reasons or to receive care.
  - Ind. Code § 6-1.1-51.3-1(c).
- If there are co-owners to the property, only one (1) credit may be allowed. However, only one (1) of the co-owners needs to be at least sixty-five (65) years of age.
  - Ind. Code § 6-1.1-51.3-1(d).
  - Co-ownership means tenants by the entirety, joint tenants, or tenants in common.
  - May affect amount of eligible credit. (See next slide)





# Over 65 Credit – Credit Amount (Part 1)

- Generally, it is \$150.
  - Ind. Code § 6-1.1-51.3-1(b).
- Exception: When there are co-owners to the property who are not themselves at least sixty-five (65) years old.
  - The amount is reduced proportionately by the number of co-owners who are not sixty-five (65) years old.

$$\text{Init. Credit Amt.} \times \frac{\text{Co-Owners Under 65 Years Old}}{\text{Total Number of Co-Owners}} = \text{Adj. Credit Amt.}$$



# Over 65 Credit – Credit Amount (Part 2)

- Example:
  - The initial credit amount is \$150.
  - There are three (3) co-owners to the property.
  - Only one of the co-owners is over sixty-five (65) years old.
  - The property otherwise qualifies for the credit.
    - Proportion of under-65 owners to all co-owners:

$$2 \div 3 = 0.667$$

- Applying this to the credit amount, you get a credit amount of \$100.

$$0.6667 \times \$150 = \$100$$

$$\$150 - \$100 = \$50$$



# Over 65 Credit vs Deduction

- Differences between new credit and old deduction:
  - The credit does not include a residency requirement; the deduction required that the individual and any co-owners reside on the property.
  - Income limitations for the credit are not adjusted annually by Social Security COLAs as they were for the deduction.
  - The credit has no limit on the assessed value of the property; the deduction included an AV limit of \$240,000.
  - The credit is not a deduction and therefore is not subject to the general limit on deductions for mobile and manufactured homes, which limits the sum of deductions to not more than 1/2 the value of the property. (Ind. Code § 6-1.1-12-40.5)
  - The credit does not have the same limitation that the deduction had on receiving no other deductions except the Homestead Standard, Supplemental, and Fertilizer Storage.



# Over 65 Circuit Breaker Credit – Qualifications

- Qualifications will largely mirror the Over 65 Credit, except
  - No conditions regarding co-ownership, including amount adjustment.
  - Applicant must also have qualified the Homestead Deduction on the property (or is a surviving spouse of someone who qualified for it) in the previous year and current year.
- Taxpayer who applies for the Over 65 Credit must also apply for the Over 65 Circuit Breaker, as well.



# Over 65 Circuit Breaker Credit – Amount

*Current Year Tax Liability – (Last Year Tax Liability x 1.02)*

- Last year's tax liability will be after application of Over 65 Circuit Breaker credits.
- Limits growth in property taxes on the qualified homestead to 2% from the previous year.
  - However, liability imposed on any improvements to or expansion of the homestead property after the assessment date for last year's taxes must not be considered.

*Ind. Code § 6-1.1-20.6-8.5(d)*



# Over 65 Circuit Breaker Credit – Example

	24 Pay 25	25 Pay 26
Homestead Property Tax Liability After All Deductions from AV & Other Credits	\$1,000	\$1,100
Over 65 Circuit Breaker Credit	N/A	(\$80)
Homestead Property Tax Liability <b>After</b> Application of Over 65 Circuit Breaker Credit	\$1,000	\$1,020

- Maximum Property Tax Liability for 2025 Pay 2026 limited to:  $\$1,000 \times 1.02 (2\%) = \$1,020$
- Over 65 Circuit Breaker Credit Calculation:
  - (25 Pay 26) Tax Liability – (24 Pay 25) Maximum Property Tax Liability = Credit
  - $1,100 - \$1,020 = \$80$  Over 65 Circuit Breaker Credit



# Veterans' Deductions



# Veterans' Deductions – Types

- Three deductions specific to veterans and/or their surviving spouse
  - Veteran with Service-Connected Disability (Ind. Code § 6-1.1-12-13)
  - Totally Disabled Veteran or Veteran at Least sixty-two (62) with Disability of 10% or More (Ind. Code § 6-1.1-12-14)
  - Homestead Donated to Disabled Veteran (Ind. Code § 6-1.1-12-14.5)
- Expired - Surviving Spouse of WWI Veteran (Ind. Code § 6-1.1-12-16)
- Excise Credits for when Veterans' Deductions cannot be applied
  - Ind. Code § 6-6-5-5; Ind. Code § 6-6-5-5.2





# Veteran with Service-Connected Disability Deduction

- Served in U.S. military during any of its wars.
- Was honorably discharged.
- Received a service-connected disability of 10% or more as evidenced by
  - A U.S. Department of Veterans Affairs
    - Pension certificate
    - Award of compensation
    - Disability compensation check
  - Indiana Department of Veterans Affairs certificate of eligibility
    - Following review of eligibility for deduction
- Amount fixed at \$24,960, subject to Ind. Code § 6-1.1-12-40.5.

*Ind. Code § 6-1.1-12-13*



# Totally Disabled Veteran or Veteran Age 62 with Disability $\geq 10\%$

- Must have served in the U.S. military for at least ninety (90) days.
- Was honorably discharged.
- Received either a total disability or veteran is at least sixty-two (62) with at least 10% disability, evidenced by:
  - A U.S. Department of Veterans Affairs
    - Pension certificate
    - Award of compensation
  - Indiana Department of Veterans Affairs certificate of eligibility
    - Following review of eligibility for deduction
- Fixed amount of \$14,000, subject to Ind. Code § 6-1.1-12-40.5.

*Ind. Code § 6-1.1-12-14*



# Non-Service-Connected Disability – AV Limitation

- AV is not more than \$240,000.
- Do not include increases in AV due to trending unless the increase is attributable to substantial renovation or new improvements.
  - County assessor must inform the county auditor of any such improvements or renovations.

*Ind. Code § 6-1.1-12-14(d), (f)*



# Combining Veterans' Deductions

- It is possible for a taxpayer to receive both the Veteran with Service-Connected Disability Deduction and the Totally Disabled Veteran or Veteran at Least sixty-two (62) with Disability of 10% or More Deduction provided the taxpayer meets the requirements for both.
- Total deduction amount of \$38,960 (\$24,960 + \$14,000)



# Veterans' Deductions – Surviving Spouses

- Partially Disabled – Ind. Code § 6-1.1-12-13(b)
  - Deceased veteran must have met the disability requirements at the time of death.
  - Surviving spouse must own or be buying the property under contract at the time of application.
- Totally Disabled– Ind. Code § 6-1.1-12-14(b)
  - Same requisites as Partially Disabled, but deceased veteran must also have been killed in action or died either while on active duty or during inactive duty training.



# Deduction for Homestead Donated to Veteran

- A nonprofit organization donates a home to the veteran. If the veteran is 50% or more disabled, he or she receives the corresponding deduction from AV based on level of disability (50% deduction, 60%, etc.).
  - Veteran must have served in the U.S. military for at least ninety (90) days & have been honorably discharged.
  - Disability does not need to be service connected. Can be evidenced by the same documents as for the Totally Disabled Deduction.
- Cannot also receive either the Partially Disabled or Totally Disabled Deduction for that same assessment date.

*Ind. Code § 6-1.1-12-14.5*



# Veterans' Deductions – Credit for Excise Tax

- If not all of the veterans' deduction amount can be applied because the property value is low, the balance of the deduction can be used as a credit against the taxpayer's excise taxes.
- Credit is \$2 for each \$100 of AV from the deduction balance.
- Only for Partially Disabled and Totally Disabled Deductions.



# Veterans' Deductions – Credit for Excise Tax (No Property)

- If the taxpayer does not own property to which a Veterans' Deduction can be applied, the taxpayer can claim a credit against the vehicle excise tax.
- Cannot exceed \$70.
- Cannot claim on more than two (2) vehicles the taxpayer owns.
- Cannot claim along with the credit from Ind. Code § 6-6-5-5.

*Ind. Code § 6-6-5-5.2*





# Homestead Deductions



# Mortgage Deduction Repeal

- During the 2022 Legislative Session, the General Assembly passed House Enrolled Act 1260, which repealed the Mortgage Deduction.
- Beginning 2023 Pay 2024, the value of the Homestead Deduction was increased by \$3,000 to encompass the maximum deduction amount that was previously available under the Mortgage Deduction.



# Homestead Deduction – In General

- Applies to the “homestead” – The individual’s dwelling used as a principal place of residence and the immediately surrounding space not to exceed one (1) acre (even if acre straddles multiple parcels).
  - “Dwelling” – The property used as the individual’s residence. Limited to a single house and a single garage (attached or detached).
  - Must be located in Indiana.
- “Principal place of residence” – An individual’s true, fixed, permanent home to which the individual intends to return 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 Ind. Code § 6-1.1-12-17.9.

*Ind. Code § 6-1.1-12-37*



# Homestead Deduction – In General

- The “Homestead” property (Ind. Code § 6-1.1-12-37(a)(2)(C)) may include:
  - (1) Dwelling
  - (2) Up to one (1) acre of land immediately surrounding the dwelling
  - (3) Any number of decks, patios, gazebos, pools
  - (4) One (1) additional residential yard structure other than a deck, patio, gazebo, or pool
  - (5) 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

*Ind. Code § 6-1.1-12-37*



# Homestead Deduction – Amount

- For 2025 Pay 2026, \$48,000.
- Phase-down: This flat amount will decrease over the next five (5) years until it reaches \$0 for 2030 Pay 2031.
- SEA 1 (2025) modified the amount, which had been the lesser of 60% of the gross assessed value of the property or \$48,000.
- For mobile and manufactured homes, limited to 1/2 the value of the property. (Ind. Code § 6-1.1-12-40.5)

*Ind. Code § 6-1.1-12-37(c)*



# Phase-Out of Homestead Standard Deduction

- SEA 1– Specifies that the amount of the Homestead Standard Deduction will be:

For Assessment Dates before January 1, 2025	Lesser of 60% of AV or \$48,000
For the 2025 Assessment Date	\$48,000
For the 2026 Assessment Date	\$40,000
For the 2027 Assessment Date	\$30,000
For the 2028 Assessment Date	\$20,000
For the 2029 Assessment Date	\$10,000
For Assessment Dates after December 31, 2029	\$0

*SEC. 44 – Ind. Code § 6-1.1-12-37 – Effective January 1, 2025*



# Homestead Deduction – Married Couples (Part 1)

- Only one (1) individual or married couple may receive a Homestead Deduction for a particular year, but there are exceptions.
- Exception 1: Moving Residences (Ind. Code § 6-1.1-12-37(i))
  - 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.



# Homestead Deduction – Married Couples (Part 2)

- Exception 2: Spouses in Different States (Ind. Code § 6-1.1-12-37(I))
  - Spouses living in different states (one (1) in Indiana and one elsewhere) can each claim a Homestead 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; and
    - 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.





# Homestead Deduction – Married Couples (Part 3)

- 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 (1) Homestead Deduction.



# Homestead Deduction – 1 Acre Rule

- The one (1) acre surrounding a dwelling can overlap multiple parcels and should not preclude the taxpayer from receiving a complete deduction on that one (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 (Ind. Code § 6-1.1-12-37(n)).
- Ind. Code § 6-1.1-12-37(q) specifically addresses applicability of the Homestead Deduction for property owned by an individual serving on active duty who was ordered to transfer to a location outside of Indiana.



# Homestead Deduction – LLCs

- House Enrolled Act 1328 – 2024 Legislative Session
  - Reinstates provision that was repealed in SEA 325-2023, which specified that homestead property includes an individual's principal place of residence and is owned by a business entity, if the individual is a shareholder, partner, or member of the entity that owns the property AND the individual was eligible for the deduction on March 1, 2009.

*SEC. 10-11 – Ind. Code § 6-1.1-12-17.8; 37 – Effective January 1, 2024*



# Homestead Deduction – Eligibility (Part 1)

- 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 or 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 (1) year does not necessarily justify requesting documentation for multiple years, unless there truly is a basis for disputing eligibility in all those years.



# Homestead Deduction – Eligibility (Part 2)

- 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 Veterans' 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.**



# Supplemental Homestead Deduction

- A person entitled to Homestead Deduction is entitled to Supplemental Homestead Deduction.
- Applied to the net AV resulting after application of the Homestead Deduction.
- Deduction Amount:
  - 40% of the net AV for 2025 Pay 2026.
  - Will increase over the next five (5) years.
  - Amount of deduction no longer different for AVs up to \$600,000 and AVs above \$600,000

*Ind. Code § 6-1.1-12-37.5*



# Increase to Supplemental Homestead Deduction

- SEA 1– Specifies that, for taxes due and payable after December 31, 2025, the amount of the Supplemental Homestead Deduction will be the AV as reduced by the Standard Homestead Deduction multiplied by:
  - 40% for Pay 26;
  - 46% for Pay 27;
  - 52% for Pay 28;
  - 57% for Pay 29;
  - 62% for Pay 30;
  - 66.7% for Pay 31 and each year thereafter.
- Note: The deduction amount may not exceed 75% of the gross AV of the property.

*SEC. 45 – Ind. Code § 6-1.1-12-37.5 – Effective January 1, 2025*



# Homestead Deduction – Filing (Part 1)

- To claim the Homestead Deduction and Supplemental Homestead Deduction:
  - The taxpayer must complete Form HC-10 (Claim for Homestead Property Tax Standard/Supplemental Deduction – <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 (<https://www.in.gov/dlgf/forms/dlgf-forms/>) 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 (Ind. Code 6-1.1-20.6).





# Homestead Deduction – Filing (Part 2)

- The Homestead Deduction Application must contain the last 5 digits of:
  - The applicant and applicant spouses' Social Security numbers.
  - 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 individual's driver's license number.
    - The individual's state identification card number.
    - 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, a control number that is on a document issued to the individual by the federal government.



# Homestead Deduction – Change of Use

- 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 Ind. Code § 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.

*Ind. Code § 6-1.1-12-37(f)*



# Homestead Deduction – Ineligibility (Part 1)

- If a county auditor makes a determination that property was not eligible for a standard deduction under Ind. Code § 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:
    - the taxpayer did not comply with the requirement to return the homestead verification form under Ind. Code § 6-1.1-22-8.1(b)(9) (expired January 1, 2015); and
    - the county auditor allowed the taxpayer to receive the standard deduction in error; or
  - (2) thirty (30) days, if subdivision (1) does not apply.

*Ind. Code § 6-1.1-36-17*



# Homestead Deduction – Ineligibility (Part 2)

- With respect to property subject to a determination made under Ind. Code § 6-1.1-36-17(b) 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.



# Homestead Deduction – Ineligibility (Part 3)

- What this does:
  - Auditors 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 (3) 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.



# Trust-Owned Property Deductions

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# Eligibility of Trusts

- Ind. Code § 6-1.1-12-17.9
- Trusts may be eligible for the following deductions:
  - Homestead (Ind. Code § 6-1.1-12-37; -37.5)
  - Veteran with Service-Connected Disability (Ind. Code § 6-1.1-12-13)
  - Totally Disabled Veteran or Veteran at Least sixty-two (62) with Disability of 10% or More (Ind. Code § 6-1.1-12-14)



# Eligibility of Trusts – Eligibility

- 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.





# Heritage Barn Deduction



# Heritage Barn Deduction – “Barn”

- 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.

*Ind. Code § 6-1.1-12-26.2*



# Heritage Barn Deduction – “Heritage Barn”

- Definitions:
  - “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.



# Heritage Barn Deduction – “Mortise & Tenon Barn”

- Definitions:
  - “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.



# Heritage Barn Deduction – “Eligible Applicant”

- Definition:
  - “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:
      - Gives the person a right to obtain title to the property upon fulfilling the terms of the contract;
      - Does not permit the owner to terminate the contract as long as the person buying the property complies with the terms of the contract;
      - Specifies that during the term of the contract the person must pay the property taxes on the property; and
      - The contract has been recorded with the county recorder.



# Heritage Barn Deduction – Amount

- An eligible applicant is entitled to a deduction against the assessed value of the structure and foundation of a heritage barn beginning with assessment after 2014.
- The deduction is equal to 100% of the assessed value 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.



# Heritage Barn Deduction – County Fee

- 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 Ind. Code § 6-1.1-12-26.2, the county fiscal body shall furnish a copy of the ordinance to Department in the manner prescribed by Department.



# Heritage Barn Deduction – Filing

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





# New Deductions and Credits

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# Deduction for 2% Circuit Breaker Properties (New)

- SEA 1 – Adds Ind. Code § 6-1.1-12-47; New Deduction
  - “Eligible Property” means property subject to 2% circuit breaker credit under Ind. Code § 6-1.1-20.6-7.5(a)(2)-(4):
    - Residential (non-homestead) Property
    - Long Term Care Property
    - Agricultural Land
  - No application required – auditors identify eligible property and apply deduction.

*SEC. 52 – Ind. Code § 6-1.1-12-47 (NEW) – Effective January 1, 2025*



# Deduction for 2% Circuit Breaker Properties (New)

- SEA 1 – Deduction Amount for Eligible Properties

25 Pay 26	6% of Assessed Value
26 Pay 27	12% of Assessed Value
27 Pay 28	19% of Assessed Value
28 Pay 29	25% of Assessed Value
29 Pay 30	30% of Assessed Value
30 Pay 31 & After	33.4% of Assessed Value

*SEC. 52 – Ind. Code § 6-1.1-12-47 (NEW) – Effective January 1, 2025*



# Supplemental Homestead Credit (New)

- SEA 1 – Adds New Supplemental Homestead Credit
  - Applies to property taxes due and payable beginning in 2026.
  - A person who qualifies for the Homestead Standard Deduction (or is married at the time of death to a deceased spouse who qualifies) is entitled to the new credit.
  - No application required – auditors should identify eligible property and apply the credit to the tax liability.
  - Amount of the credit is the lesser of A) \$300 or B) the property tax liability for the year multiplied by one-tenth (0.1).

*SEC. 74 – Ind. Code § 6-1.1-20.6-7.7 (NEW) – Effective Upon Passage*



# Recently Expired Deductions

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# Sunsettting of Certain Deductions

- SEA 1
  - Provides that the deductions on the following slide apply only to property taxes imposed for an assessment date before January 1, 2025.

*Effective January 1, 2025*



# Sunsetting of Certain Deductions

Expired Deduction	Ind. Code Cite	SEA 1 Section
Deduction for Surviving Spouse of World War I Veteran	6-1.1-12-16	28
Deduction for Rehabilitation of Residential Real Property	6-1.1-12-18	32
Deduction for Solar Energy Heating or Cooling Systems	6-1.1-12-26	34
Deduction for Solar Power Devices	6-1.1-12-26.1	35
Deduction for Resource Recovery Systems	6-1.1-12-28.5	37
Deduction for Wind Power Devices	6-1.1-12-29	38
Deduction for Hydroelectric Power Devices	6-1.1-12-33	39
Deduction for Geothermal Devices	6-1.1-12-34	41
Deduction for Fertilizer and Pesticide Storage	6-1.1-12-38	46
Deduction for Enterprise Zone established in Marion County	6-1.1-12-40	47
Deduction for Personal Property Held as Inventory	6-1.1-12-42	48



Questions?





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