



Department of Local Government Finance

The Tax Abatement Process

Steve McKinney
Assessment Field Representative
January 2026



Disclaimer

- This presentation and other Department of Local Government Finance (“Department”) materials are not a substitute for the law. The following is not legal advice, just an informative presentation. Indiana Code always governs.



Agenda

- How the taxpayer and the designating body establish an abatement.
- How the taxpayer claims the deduction.
- How the officials review the deduction.
- Common problems & problem-solving options.



Resource Information

- Indiana Code – Ind. Code § 6-1.1-12.1 et. seq.
- Indiana Administrative Code – 50 IAC 10
- Department Website – www.in.gov/dlgf
 - Forms, Memorandums, and Presentations



Definitions – Personal Property Abatement

- A property tax deduction from the assessed valuation granted by a designating body for the installation of qualifying abatable equipment in an ERA.



Definitions – Real Property Abatement

- A property tax deduction from the assessed valuation granted by the designating body for the construction of a new structure or a rehabilitation of property in an ERA.
 - (It does not include land.)



Real Property Abatements

- Eligible property includes construction of new structures, additions to existing structures, or the remodeling, repairs, or betterments of property if it increases the assessed value.
- Real property abatements will be based on the increase to their assessed value because of the project and not the actual cost from their books for the building project.



Frequently Asked Question

- *Question: What if I invest money in repairs to the building and the assessor determines that the assessed value should not increase because of it?*
- Answer: The abatement deduction is based on the increase in assessed value so if there is no increase, there could be no deduction.



Frequently Asked Question

- *Question: Can an asphalt parking lot qualify as eligible property since it's not a structure?*
- Answer: Ind. Code § 6-1.1-12.1-1 (6) defines the term “rehabilitation” and includes language on betterments of the property. A parking lot would qualify as a betterment to the land and would be eligible for the deduction.



Definitions – Vacant Building Abatement

- A property tax deduction from the assessed valuation granted by the designating body for the occupancy of an eligible vacant building used & zoned for Commercial or Industrial purposes in an ERA. (It must be unoccupied for one (1) year, and it does not include the AV of the land.)
- Deduction is based on a vacant building being put back into use and not simply because it is empty and not being used.

Ind. Code § 6-1.1-12.1-1(19)



New Farm Equipment Abatements

- During the 2022 Legislative Session, a bill was passed to allow an abatement on “new farm equipment” and “new agricultural improvements”.
- “Farm Abatements” on both real property and personal property are limited to a five-year deduction period.
- The process to approve is the same as other abatements.

Ind. Code § 6-1.1-12.1-1(14); Senate Enrolled Act 119 (2022)



Definitions – Economic Revitalization Area

- An area that is within the corporate limits of a city, town, or county that has become undesirable for, or impossible of, normal development and occupancy.
- It is a legal description for a piece of real estate.
- If ownership transfers, the designation as an ERA transfers with the property.

Ind. Code § 6-1.1-12.1-1(1)



Definitions – Designating Body

- Also called a “governing body”
- For a county without a consolidated city, the designating body is the fiscal body of the city, town, or county.
- For a consolidated city, the designating body is the metropolitan redevelopment commission.

Ind. Code § 6-1.1-12.1-1(7)



Types of Abatements for Personal Property

Business:

- Manufacturing
- Research & Development
- Information Technology
- Logistical Distribution

Agricultural:

- Farm Equipment



Manufacturing Abatements – Personal Property

- **New Manufacturing Equipment – Ind. Code § 6-1.1-12.1-1(3)**
- Used in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property.
- Includes new equipment or used equipment brought into the state.
- Abatement deduction period can be 1 – 10 years for a standard deduction and up to 20 years for an enhanced abatement.
- Note: This slide is a summary. Refer to the statutes for the actual statutory language.



50 IAC 10-1-6 - Handling Equipment - Production

- **Qualified Machinery & Equipment**
- Personal property will be qualified machinery and equipment when it is used within the process that chronologically begins with:
 - Material handling equipment that carries the raw material from its on-site storage location to the first production step.
 - Example: The crane that lifts the coil of steel to the press that stamps out a car fender.



50 IAC 10-1-6 – Handling Equipment – Finished Goods

- **Qualified Machinery & Equipment**
 - Ends with the material handling equipment that carries or moves the finished product from its final machine or production step to the in-plant finished good storage site.
 - Example: The forklift that moves the finished product from the production line to a shelf in the finished goods warehouse.



Manufacturing Abatements – 50 IAC 10-1-2

- “Installed” Defined
 - Section 2(a) “Installed” means that personal property:
 - (1) has been completely assembled;
 - (2) is completely functional for the purpose for which it was acquired; &
 - (3) is placed in service.



50 IAC 10-1-2 – “Installed”

- “Installed” Defined
 - Section 2(b):
 - When different pieces of personal property are linked together as part of an integrated production process, personal property will not be considered installed until the integrated production process is completely functional and is placed in service.



Frequently Asked Question

- *Question: If the equipment is present at the facility on the assessment date and not installed, how is that situation handled?*
- Answer: 50 IAC 4.2-6-1 classifies this equipment as “Construction In Process” (CIP) and assesses it at 10% of cost with no abatement deduction allowed on it. (In most cases, the abatement will begin the following year.)



Frequently Asked Question

- *Question: How would an assessor know when the equipment is actually installed?*
- Answer: Federal guidelines for depreciation state that depreciation cannot be claimed until the property is placed in service so their books and records will reflect the date installed.



Farm Abatements – Real Property

- New Agricultural Improvement – Ind. Code § 6-1.1-12.1-1(15)
 - Any improvement made to land classified as ag land.
 - Placed in service after December 31, 2022.
 - Predominately used for agricultural purposes.
 - Includes barn, grain bin, or silo.
 - Abatement deduction period can be 1 – 5 years.
- Note: This slide is a summary. Refer to the statutes for the actual statutory language.



Farm Abatements – Personal Property

- New Farm Equipment - Ind. Code § 6-1.1-12.1-1(14)
 - Installed/placed in service after June 30, 2022.
 - Predominately used for agricultural purposes.
 - Is used in the direct production, extraction, harvesting, or processing of agricultural commodities for sale on land classified as agricultural land for property tax purposes.
 - Abatement deduction period can be 1 – 5 years.
- Note: This slide is a summary. Refer to the statutes for the actual statutory language.



“Agricultural Commodity” Defined

- "Agricultural Commodity" – Ind. Code § 15-16-5-1
- Means any plant or part of a plant and animals or animal products produced primarily for sale, consumption, propagation, or other use by humans or animals.



Frequently Asked Question

- *Question: Where will we draw the line between a small hobby farmer with just a few animals or a small garden versus an actual farmer?*
- Answer: This question is fact sensitive and would be handled on a case-by-case basis. Some officials consider the definition of “producer,” which is someone engaged in Indiana in the business of producing for market or receiving income from an agricultural commodity in commercial quantities. See Ind. Code § 15-15-11-8 for complete definition.



Real vs. Personal Property

- Personal Property Rule – Determination of property as real or personal
 - 50 IAC 4.2-4-10
- “Real Property Guidelines”
 - Chapter 1, Table 1-1



Real vs. Personal Property – Examples

- Boilers:
 - Manufacturing process – Personal
 - Building service – Real
- Foundations for machinery & equipment – Personal
- Gas lines & piping for equipment or processing – Personal
- Power lines & generators for manufacturing process - Personal



Real vs. Personal Property – Ag Examples

- Grain Bins – Real
- Grain Dryer – Personal
- Grain Legs – Personal
- Livestock/Poultry Building – Real
- Farrowing Crates, Watering & Feeding Systems – Personal
- Irrigation System & Well – Personal



Steps In Establishing An Economic Revitalization Area



Establishing An ERA

- Designating body can designate an ERA on its own or upon application of a property owner.
- If the designating body works on its own, no Statement of Benefits (Form SB-1) is necessary for a preliminary designation; however, one will be required later when finalizing the details for a new business that desires to locate there.
- If the property owner asks for an ERA designation, a Form SB-1 must be filed.

Ind. Code § 6-1.1-12.1-1; 2



Statement of Benefits – (Form SB-1/PP)

- The form on which the property owner submits information regarding the installation of new manufacturing, research and development, logistical distribution, information technology, or farm equipment to the designating body.
- This form should be incorporated into the designation process.



Form Contents – (Form SB-1/PP)

- The Form SB-1/PP provides information on the proposed project and is an estimate of costs, jobs created, etc. This is done before the project begins.
- A taxpayer could have a single Form SB-1 or multiple Form SB-1's which could cover several projects over a number of years.

Ind. Code § 6-1.1-12.1-17



Total Benefits – (Form SB-1/PP)

- The reason why the Form SB-1/PP is so important is because the designating body must determine if the totality of the benefits (number of jobs, salaries, & other benefits) is sufficient to justify the deduction.
- The designating body may not designate an area as an ERA or approve the deduction unless it makes the required findings in the affirmative.

Ind. Code § 6-1.1-12.1-4.5(b)(6)



Personal Property Returns (Form SB-1/PP)

- The taxpayer must attach an approved copy of Form SB-1/PP to their personal property return.
 - Page 1 is completed and signed by the taxpayer.
 - Page 2 is completed and signed by the designating body. It sets the guidelines and possibly limits for the abatement.
 - It's also a good practice to review the resolution for guidelines and limits.



Abatement Deduction Schedule

- The designating body is required to establish an abatement schedule for each deduction allowed under Ind. Code § 6-1.1-12.1.
- For all abatement types – except for farm equipment – the abatement schedule may not exceed ten (10) years, unless the designating body has approved an enhanced abatement.
- For new farm equipment, the abatement schedule may not exceed five (5) years.
- Each abatement schedule must specify the percentage amount for each year of the deduction.

Ind. Code § 6-1.1-12.1-17



Abatement Deduction Schedule – Factors

- The abatement schedule percent amounts are based on the following factors:
 - 1) The total amount of the taxpayer's investment in real and personal property.
 - 2) The number of new full-time equivalent jobs created.
 - 3) The average wage of the new employees compared to the state minimum wage.
 - 4) The infrastructure requirements for the taxpayer's investment.
 - 5) For farm equipment, the predominant use of area.

Ind. Code § 6-1.1-12.1-17



Abatement Schedules

- Ind. Code § 6-1.1-12.1-17 states that an abatement schedule for businesses may not exceed ten (10) years. Farm abatements may not exceed five (5) years.
- Ind. Code § 6-1.1-12.1-18 allows the designating body to approve an enhanced abatement of up to twenty (20) years on certain business personal property.

Ind. Code § 6-1.1-12.1-17; 18



Enhanced Personal Property Abatements

- Besides allowing an abatement deduction period for up to twenty (20) years, Section 18 also removes the forklift-to-forklift concept for the manufacturing abatement (or starting & ending points for the other three (3) standard business personal property abatements – information technology, research & development, and logistical distribution) and would permit a deduction on office equipment or other personal property that is not eligible for a deduction with a standard abatement.

Ind. Code § 6-1.1-12.1-18



Enhanced PP Abatements – FAQ

- *Question: So, Section 18 cannot be used for personal property belonging to a retail business or a farming operation?*
- Answer: That is correct. The business would need to qualify under one (1) of the four (4) business categories – manufacturing, research & development, logistical distribution, or information technology.



Frequently Asked Question

- *Question: So, Section 18 would still allow us to give a ten-year deduction period for businesses, but the enhanced personal property abatement aspect would allow more equipment to qualify for the deduction.*
- Answer: That is correct. The deduction cycle is not required to be twenty (20) years, and Section 18 does make more business equipment eligible for a tax abatement.



Enhanced PP Abatements – Public Hearing

- Ind. Code § 6-1.1-12.1-18 also requires that if an enhanced personal property abatement is granted for a period exceeding ten (10) years, the designating body shall conduct a public hearing & review the Form CF-1/PP for each year after the tenth year of the abatement deduction cycle.



Enhanced PP Abatements - FAQ

- *Question: Is an enhanced abatement and a super abatement the same thing?*
- Answer: No, as discussed, an enhanced abatement is covered in the Indiana Code while a super abatement is a phrase used by economic development groups when an abatement is approved with a 100% deduction for each of the years in the deduction schedule. (You won't find the term "super abatement" in the Indiana Code.)



Establishing An ERA – Process

- Establish geographical area by:
 - Designating body makes a determination.
 - Prepares maps and plats that identify the area.
 - Prepares a simplified description of property boundaries.
 - Passes a preliminary resolution.
- After approving a preliminary resolution, designating body publishes a notice of adoption and substance of resolution.
- Sends the information to the local units affected by the abatement at least ten (10) days before the public hearing.

Ind. Code § 6-1.1-12.1-2.5



Establishing An ERA – Resolutions

- The designating body's final action is to determine whether the qualifications for an ERA are met and to confirm, modify or rescind the preliminary (rough draft) resolution.
- If confirmed, a confirmatory resolution (final draft) is passed and adopted.
- Note: Minutes to a council meeting do not qualify as a resolution.

Ind. Code § 6-1.1-12.1-2.5



Resolution Contents

- According to Ind. Code § 6-1.1-12.1-2.5, the resolution declares an area as an economic revitalization area.
- The resolution specifies the abatement schedule with the percentages & number of years to be given for each of the years that the deduction has been approved.
- The resolution could contain an expiration date when the designation ceases to exist or other terms, limitations or conditions. (optional)



Frequently Asked Question

- *Question: If an ERA designation expires after two years on a 10-year abatement, would the deduction stop after two years?*
- Answer: No, anything that qualified during that two-year period would receive the full ten-year abatement.



Frequently Asked Question

- *Question: Can an abatement be approved in a TIF District?*
- Answer: Yes, but Ind. Code § 6-1.1-12.1-2(k) requires that the legislative body for the TIF also adopt a resolution that approves the Form SB-1 since it could affect the repayment of the bonds. A joint resolution could be done if preferred.



Abatements vs. Tax Caps

- *Question: How does a circuit breaker tax cap work with a tax abatement deduction on a tax bill?*
- Answer: There are two (2) calculations on the tax bill. The application of the circuit breaker on a tax bill is separate from the calculation of the gross assessed value less any deductions on the tax bill. The actual taxes due will be the lesser of these two (2) calculations.



Abatements vs. \$2,000,000 PP Exemption

- *Question: How will the increase of the personal property exemption from \$80,000 to \$2,000,000 impact current abatement deductions and future abatement deductions?*
- Answer: It is possible that a taxpayer could have less than \$2,000,000 cost of assets within a single county and is currently claiming an abatement deduction. Since each year stands alone, the taxpayer could file its 2026 return and claim an exemption that it believes it is entitled to. Of course, it could be fact sensitive where a new company plans to invest in \$1.5 million in one year and another \$1.5 million the following year and they would desire to apply for the abatement deduction.



Establishing An ERA – Fees

- Designating body may impose a fee for filing a deduction application. This one-time fee may be sufficient to defray actual processing and administrative cost. Ind. Code § 6-1.1-12.1-2(h)
- Designating body may also impose an annual fee with the consent of the property owner. This fee is based on a percentage not to exceed 15% of the tax savings and is used to promote economic development. Ind. Code § 6-1.1-12.1-14



Unauthorized Facilities

- The following facilities are prohibited by statute from receiving real property abatements:
 - Golf courses; country clubs; massage parlors; tennis clubs; skating facilities; handball or racquetball facilities; hot tub facilities; suntan facilities; racetracks; package liquor stores.
 - Any facility that has a primary purpose of retail food and beverage, automobile sales and service, or other retail unless an economic development target area is established.

Ind. Code § 6-1.1-12.1-3(e); 7



Unauthorized Facilities – Residential Facilities

- Residential facilities may not be approved unless it is multifamily of which at least 20% of the units are for low – moderate income individuals OR is in an economic development target area OR is designated as a residentially distressed area.
- Note: The language for unauthorized facilities is for real property abatements and is not applicable to personal property abatements.

Ind. Code § 6-1.1-12.1-3(e)



Frequently Asked Question

- *Question: Can a single-family home built in a new housing addition qualify for a tax abatement?*
- Answer: Please consider the terms “facility” & “multi-family facility” contained in Ind. Code § 6-1.1-12.1-3(e) and terms “1 or 2 family dwellings” & “multifamily dwellings designed for up to 4 families” found in Ind. Code § 6-1.1-12.1-2 for residentially distressed areas. This new home would need to be located in a residentially distressed area.



Deduction Application Required

- A person that desires to obtain the deduction must attach a certified deduction schedule (Form 103-ERA) with a timely filed personal property return (Form 103-Long) and file it with the proper assessing official. (Ind. Code § 6-1.1-12.1-5.4)
- For farmers, the Form 102-ERA would be attached to the timely filed Form 102 and filed with the proper assessing official.
- Ind. Code § 6-1.1-12.1-5 for real property – Form 322/RE.
- Ind. Code § 6-1.1-12.1-5.3 for vacant building – Form 322/VBD.



Compliance with Statement of Benefits (Form CF-1/PP)

- Form CF-1/PP must be filed with the designating body and the assessor of the township where the equipment resides each year a personal property abatement deduction is requested.
- Must be filed between January 1 and May 15 or the approved extension date.



Personal Property Returns (Form CF-1/PP)

- Compliance information for multiple projects may be consolidated on one Form CF-1/PP with approval of the designating body.
- The taxpayer attaches an approved copy of Form CF-1/PP to their return.
 - Page 1 is signed by taxpayer.
 - Page 2 may be reviewed by the designating body in order to determine if compliant.



Form SB-1/PP vs. Form CF-1/PP

- The major difference between the Form SB-1/PP and the Form CF-1/PP is that one is an estimate of the project before it begins, and the other is a summary of the actual information after the project has been completed.
- The Form SB-1/PP structures the deduction and the Form CF-1/PP is used to request & approve the deduction.



Frequently Asked Question

- *Question: Should the Form CF-1 be approved by the designating body before it is filed with the personal property tax return or before the real property deduction is allowed?*



Frequently Asked Question (cont.)

- Answer: Ind. Code § 6-1.1-12.1-5.9 (b) states that the designating body MAY determine whether the property owner is in substantial compliance within 45 days of receiving the form, so it is possible that the Form CF-1 is never reviewed and signed by the designating body.
- The statutes provide deadlines for when the Form CF-1's should be filed, and the local officials do not have the authority to change those deadlines to an earlier time.



Frequently Asked Question

- *Question: If a Form CF-1 is not filed by the taxpayer, who makes the decision that they are not in compliance, the county auditor for real property and the county assessor for personal property or the designating body?*



Frequently Asked Question (cont.)

- Answer: There are two types of compliance with this question. The statutory requirement to submit the CF-1 and the process of approving the CF-1 once received. The auditor/assessor has the authority to deny an abatement that is not in compliance with the statute and the designating body has the authority to approve or disapprove the CF-1 once received.



Frequently Asked Question

- *Question: When a city expands its borders through the annexation process, how do you handle the abatements that were given while the company was in the county's jurisdiction but is now in the city's jurisdiction?*



Frequently Asked Question (Part – I)

- Answer: First, the abatement continues and is not affected by the annexation. The ERA designation was granted by the appropriate designating body at the time of the designation. It is also important to understand that each assessment year (or deduction year) stands alone.



Frequently Asked Question (Part – II)

- Answer (continued): This means that the appropriate designating body for a particular jurisdiction will process the Form CF-1's for that deduction year even if they did not approve the Form SB-1 and adopt the resolution. They would simply review the SB-1 and the CF-1 and determine if the company is still in compliance for the deduction year in question.



Frequently Asked Question (Part – III)

- Answer (continued): Future abatement requests would go to the designating body of the jurisdiction that the company is located. If the company desired to remain working with the county council as they had done in the past, they should be directed to the city council.



Verification of Personal Property Tax Abatements



Indiana Code § 6-1.1-3-14

- The township or county assessor may examine and verify the accuracy of personal property tax returns.



Indiana Code § 6-1.1-12.1-5.4

- The assessor may approve, deny, or alter the amount of the deduction.
- The assessor shall notify the taxpayer of any changes made in the deduction amount on Form 113/PP which allows the taxpayer to challenge the change if desired.



Form 103-ERA or Form 102-ERA

- Deduction Application/Deduction Schedule:
 - Required to be filed by the taxpayer for each year a deduction is desired even if no new abatable equipment is installed in that assessment year.
 - Form must be filed with the assessor in the county in which the abatable equipment is located.



Equipment List (Form 103 EL or Form 102-EL)

- The list should be itemized and contain installation dates and cost.
- An equipment list is only needed for equipment installed since the last assessment date. (The first year that it qualifies for the deduction.)
- Assessors questioning abatements on older equipment should refer to that particular return and that equipment list.



Equipment List (Form 103-EL or Form 102-EL)

- The assessor should verify that all of the equipment listed qualifies for a personal property abatement and deduct any non-qualifying equipment from the list.
- Any changes to the assessment or the deduction require notification to the taxpayer on a Form 113/PP. (Ind. Code § 6-1.1-3-20)



Confidential Information

- Ind. Code § 6-1.1-35-9 affects:
 - All assessing officials, employees, and anyone under contract to any assessing official.
 - All information that is related to earnings, income, profits, losses, or expenditures.
- Disclosure of confidential information can carry severe penalties.
- Includes supplemental forms attached to return.
- What's public information? Assessed Value (Form 104)



Form 322/RE

- The deduction application for a real property abatement.
- It is only filed one time to initiate the deduction unless there is a change in ownership. In that case, the new owner is required to file a new Form 322/RE in order for the deduction to continue.
- The Form 322/RE must be filed with the county auditor before May 10 or within 30 days of the mailing date of the Form 11 if mailed after April 10.
Ind. Code § 6-1.1-12.1-5



Frequently Asked Question

- *Question: What if no Form 11 is given?*
- Answer: Ind. Code § 6-1.1-12.1-5(b) says that if no Form 11 is sent, the tax bill would then serve as the first notice so the taxpayer would have thirty (30) days after receiving the tax bill to file the Form 322/RE.
- This means that the deduction would be given after budgets were approved and tax rates were set so if it was a sizable deduction, there could be issues with shortfalls (or a loss of revenue to the local units).



Frequently Asked Question

- *Question: Can a taxpayer file the Form 322/RE before the Form 11 is mailed?*
- Answer: The Department gives great deference to local control and will allow the county auditor to consider all the facts before he/she makes that decision. While communication between the taxpayer and the County Auditor is a good thing on this issue, the auditor would not be able to require the form to be filed before it is legally due.



Maintenance of Records

- County auditor shall maintain real property abatement records.
- The assessing officials are responsible for the maintenance of the personal property abatement records.

Ind. Code § 6-1.1-3-21



Real Property Abatements - PRCs

- It is recommended that the county auditor maintain a copy of the property record card (PRC) for each year that a taxpayer receives a deduction. Many times, the property record card contains the information necessary for the deduction to be calculated. If a question arises after reviewing the property record card, the auditor and the assessor can work together to determine the correct deduction.



Solving Problems That May Arise



Incomplete Filing

- What if the filing is not complete? For example, what if the Form SB-1 or CF-1 is missing?
- The assessor or the auditor could deny it or could send a request for the information and give ten (10) days to provide it. If not received, the claim for the deduction could then be denied.



Late Filing

- Ind. Code § 6-1.1-12.1-5.4 states the taxpayer must file a certified deduction schedule with a timely personal property return if they wish to receive an abatement.
- A return filed late which includes a Form 103-ERA should have the deduction denied immediately.
- Applications for real property abatement deductions and the vacant building abatement deduction should also be denied if filed late.



Waiver of Noncompliance – Options

- The taxpayer could accept the loss of Year #1 of the abatement and claim it for Year #2 through the remainder of the abatement's term; or
- The taxpayer could request a waiver of non-compliance through the designating body in order to forgive the mistake.



Waiver of Noncompliance – Public Hearing

- If the designating body wishes to waive non-compliance, they shall conduct a public hearing and then may adopt a resolution. Ind. Code § 6-1.1-12.1-11.3
- The decision to grant, deny, or partially grant a waiver of non-compliance rests on the shoulders of the designating body.
- Note: This process requires a public hearing and the adoption of a resolution; therefore, the auditor or the assessor should not be instructed to allow the deduction without the statutory requirements being met.



Waiver of Noncompliance – Ind. Code § 6-1.1-12.1-11.3

- Ind. Code § 6-1.1-12.1-11.3 covers:
 - Failure to submit the Form SB-1 to the designating body before the hearing.
 - Failure to submit the Form SB-1 to the designating body before the project begins.
 - Failure to designate the ERA zone before the project begins.



Waiver of Noncompliance – Ind. Code § 6-1.1-12.1-11.3

- Ind. Code § 6-1.1-12.1-11.3 (continued)
 - Failure to make the required findings of fact before designating the area.
 - Failure to file a timely application.
 - Failure to file a complete application.
- Note: It does not give the designating body the authority to grant abatements on assets that do not qualify.



Frequently Asked Question

- *Question: Why does the waiver process only forgive the failure to file a timely deduction application and not the failure to file a timely personal property tax return?*
- Answer: There are penalties applied to returns filed late and those penalties cannot be waived with this process. The process can only allow the deduction to be given, if the designating body desires to do so.



Waiver of Noncompliance – Clerical Errors

- Ind. Code § 6-1.1-12.1-9.5 covers:
 - Correction of clerical errors such as mathematical errors or omitted signatures.
 - The adoption of a waiver of non-compliance resolution is the remedy to correct these issues as well.



Frequently Asked Question

- *Question: If the taxpayer fails to claim an abatement for the first three years of the ten-year abatement cycle, could we begin the first year of the abatement cycle in the equipment's fourth year?*



Frequently Asked Question

- Answer: No, the tax abatement cycle begins when the equipment is installed and ready for use. In this example, the taxpayer can claim the abatement in the fourth year of the ten-year cycle or request a waiver of non-compliance from the designating body for the past unclaimed deductions.
- The same theory would apply to real property. Year 1 of the tax abatement cycle begins when the new structure or rehabilitation of real property is first assessed.
- For the vacant building deduction, Year 1 is the first year that it is occupied after being unoccupied for one year and is zoned for C/I purposes.



Frequently Asked Question

- *Question: But won't granting a waiver of non-compliance on unclaimed deductions create shortfalls?*
- Answer: Yes, sometimes shortfalls in the budget could be created so the designating body should consider the facts and their options before making a decision.



Unclaimed Deduction, Waivers, & Amended Returns

- For a personal property abatement if a taxpayer fails to claim the abatement deduction on their timely filed return, they may request a Waiver of Non-Compliance hearing after the time to amend the return has passed.
- To grant the waiver could mean a shortfall to the local units of government; however, the designating body may feel that the taxpayer deserves the deduction.



Waivers & Amended Returns

- If the waiver is granted, an amended return could be filed to claim the deduction.
- Ind. Code § 6-1.1-3-7.5(f) states that if a taxpayer files an amended return after July 15 of that assessment year, they shall pay taxes based on the assessed value of the original return with credits being applied to future tax bills.
- For a personal property assessment, this statute could eliminate the shortfall while still allowing the tax savings.



Local Control

- There are many scenarios when it comes to dealing with tax abatement issues.
- The facts for each situation will need to be reviewed and discussed by the designating body who has the option of getting legal advice from their attorney.
- Tax abatements are given locally, and local control typically prevails when resolving these issues.



Real Property & Farm Abatements

- While this presentation focused on business personal property abatements, a great deal of the process discussed applies to real property abatements and farm abatements as well.
- The abatement is requested by the owner with Form SB-1.
- The designating body will establish an ERA, adopt a resolution, and create an abatement deduction schedule.
- Owner files a deduction application and the Form CF-1.



Real Property Abatements – Forms

- A timely deduction application must be filed in order to receive the deduction. (Form 322/RE or Form 322/VBD)
- The Form CF-1 is required to be filed for each year the deduction is requested.
- The county auditor has the authority to approve, deny, or alter a real property abatement deduction.
- If the assessed value changes on the approved project, the deduction is reviewed and adjusted annually.



Real Property Abatements – Deduction Calculation

- For **personal property abatements**, the annual recalculation of the deduction is done by the taxpayer.
- For **real property abatements**, the auditor, and assessor if needed, calculates the deduction each year. This calculation can be fairly simple or could be quite complex with layers of abatements (multi-year projects built in phases) combined with annual adjustments and general reassessments.



Frequently Asked Question

- *Question: How do you handle an abatement when the building is 70% complete on the assessment date?*
- Answer: The property owner would file a Form 322/RE to claim a deduction on that portion of the A/V and then file a second Form 322/RE for the remaining portion the following year so you would have two deduction layers on the same building.



Annual Publication of Legal Advertisement

- Ind. Code § 6-1.1-12.1-8 requires the county auditor to publish a legal ad in the newspaper by December 31 each year.
- This statute provides the information that must be included in it.
- A copy of this legal ad must be provided to the Department by December 31 through Gateway.



Contact Us

- Steve McKinney, Assessment Field Representative
 - 317-650-8990
 - smckinney@dlgf.in.gov
 - Website: www.in.gov/dlgf
 - “Contact Us” <https://www.in.gov/dlgf/contact-us/>