



# Department of Local Government Finance

## Exemptions

Barry Wood  
Assessment Division Director

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# Disclaimer

- This presentation and other Department of Local Government Finance materials are not a substitute for the law. The following is not legal advice, just an informative presentation. The Indiana Code always governs.
- Please consult with your county attorney for specific legal advice/guidance.



# Agenda

- Definitions/Indiana Code
- Legislative Changes
- Procedure
- Frequently Asked Questions
- Questions



# Definitions

What is the difference between a deduction, an exemption, and a credit?

- **A deduction** reduces the assessed value being taxed.
  - E.g., Homestead, Supplemental Homestead, Totally Disabled Veteran
  - Ind. Code § 6-1.1-12
- **An exemption** excludes property from assessment and/or taxation.
  - E.g., churches, charitable organizations
  - Ind. Code § 6-1.1-10; Ind. Code § 6-1.1-11
- **A credit** reduces the property tax liability on the tax bill
  - Circuit Breaker/Tax Caps, Over 65, Blind/Disabled, etc.
  - Ind. Code § 6-1.1-20.4; Ind. Code § 6-1.1-20.6; Ind. Code § 6-1.1-49; Ind. Code § 6-1.1-51.3



# Definitions

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



# Definitions

- An exemption is a privilege which may be waived by a person who owns tangible property that would qualify for the exemption. Ind. Code § 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. Ind. Code § 6-1.1-11-3(d).



# Definitions

- 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 the 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.



# Definitions – Ind. Code § 6-1.1-11-3(a) & Ind. Code § 6-1.1-11-4

## Ind. Code § 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, 2026, for the 2026 Pay 2027 property taxes.

## Ind. Code § 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 Ind. Code § 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.



# Definitions - Ind. Code § 6-1.1-11-4

## Ind. Code § 6-1.1-11-4

- Ind. Code § 36-1-2-13 states that “political subdivision” means municipal corporation or special taxing district.
- “Municipal corporation” means a unit, 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 (Ind. Code § 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 (Ind. Code § 36-1-2-18).
- “Unit” means county, municipality, or township (Ind. Code § 36-1-2-23).



# Definitions - Ind. Code § 6-1.1-11-3(h)

## Ind. Code § 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 Ind. Code § 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).
- Ind. Code § 6-1.1-11-3(h) does not extend the deadline for an appeal of a denial of an exemption application.



# Definitions - Ind. Code § 6-1.1-11-3(i)

## Ind. Code § 6-1.1-11-3(i)

- A person seeking an exemption under Ind. Code § 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 Ind. Code § 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



# Legislative Changes

- **Nonprofit Senior Living Communities**
- Section 41 of HEA 1210 adds Ind. Code § 6-1.1-10.2, retroactive to January 1, 2026, to provide a real and personal property tax exemption for Indiana nonprofit senior living communities beginning with property taxes that are first due and payable in 2027.
- **Chapter 10.2. Exemptions for Indiana Nonprofit Senior Living Communities**
- **Sec. 1.** It is the intent of the general assembly that Indiana nonprofit senior living communities identified in this chapter that also meet the requirements set out in this chapter be exempt from property taxation, including real and tangible property.



# Legislative Changes

- **Sec. 2. All or part of a building is exempt from property taxation if it is owned by an Indiana nonprofit entity that is:**
  - (1) registered as a continuing care retirement community under IC 23-2-4;
  - (2) defined as a small house health facility under IC 16-18-2-331.9; or
  - (3) licensed as a health care or residential care facility under IC 16-28.
- **Sec. 3. Tangible personal property is exempt from property taxation if it is owned by an Indiana nonprofit entity that is:**
  - (1) registered as a continuing care retirement community under IC 23-2-4;
  - (2) defined as a small house health facility under IC 16-18-2-331.9; or
  - (3) licensed as a health care or residential care facility under IC 16-28.



# Legislative Changes

- **Nonprofit Hospital Property Taxes:**
- Section 5 of HEA 1406 adds Ind. Code § 6-1.1-10-16(r).
- Land owned by certain Indiana nonprofit hospital systems is exempt from property taxation under certain circumstances and conditions. The exemption applies only to an Indiana nonprofit hospital system (as defined in Ind. Code § 16-21-18-2). A tract of land of a nonprofit hospital system is exempt from real property taxation if:
  - (1) it is purchased for the purpose of erecting a building that is to be owned, occupied, and used in such a manner that the building will be exempt under subsection (a) or (b) of Ind. Code § 6-1.1-10-16; and



# Legislative Changes

(2) not more than four (4) years after the property is purchased the Indiana non-profit hospital system proves it has been issued a certificate of occupancy (or has submitted a certificate of completion and compliance if applicable).

- If the Indiana nonprofit hospital system sells, leases, or otherwise transfers a tract of land that is exempt under this subsection, the Indiana nonprofit hospital system is liable for the property taxes that were not imposed upon the tract of land during the period beginning January 1 of the fourth year following the purchase of the property and ending on December 31 of the year of the sale, lease, or transfer. The county auditor of the county in which the tract of land is located may establish an installment plan for the repayment of taxes due under this subsection. The plan established by the county auditor may allow the repayment of the taxes over a period of years equal to the number of years for which property taxes must be repaid under this subsection.



# 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 (Ind. Code § 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 (Ind. Code § 6-1.1-15-3).



# Exemptions - Ind. Code § 6-1.1-11-4(d)

## Ind. Code § 6-1.1-11-4(d)

- Ordinarily, the exemption application must be re-filed every even year unless:
  - (1) the exempt property is:
    - tangible property used for religious purposes described in Ind. Code § 6-1.1-10-21;
    - tangible property owned by a church or religious society used for educational purposes described in Ind. Code § 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 Ind. Code § 6-1.1-10-16; or
    - other tangible property owned by a fraternity or sorority (as defined in Ind. Code § 6-1.1-10-24).



# Exemptions - Ind. Code § 6-1.1-11-4(d)

- (2) the exemption application was filed properly at least once for a religious use under Ind. Code § 6-1.1-10-21, an educational, literary, scientific, religious, or charitable use under Ind. Code § 6-1.1-10-16, or use by a fraternity or sorority under Ind. Code § 6-1.1-10-24; and
- (3) the property continues to meet the requirements for an exemption under Ind. Code § 6-1.1-10-16, Ind. Code § 6-1.1-10-21, or Ind. Code § 6-1.1-10-24.



# Exemptions - Ind. Code § 6-1.1-11-4(e)

## Ind. Code § 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 – Ind. Code § 6-1.1-10-4 & Ind. Code § 6-1.1-10-5

## Ind. Code § 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.

## Ind. Code § 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.
- (b) For purposes of this section, property used to provide a municipal service includes:
  - (1) a public school or library;
  - (2) 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
  - (3) any other municipally owned property, utility, or institution.



# Exemptions

- 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 - Ind. Code § 6-1.1-10-5.5

## Ind. Code § 6-1.1-10-5.5

### Urban homesteading property

- Real property that is held under Ind. Code § 36-7-17 or Ind. Code § 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.
- **Ind. Code § 36-7-17** – Urban Homesteading
- **Ind. Code § 36-7-17.1** – Alternative Urban Homesteading Program for Qualified Individuals



# Exemptions - Ind. Code § 6-1.1-10-6

## Ind. Code § 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:
  - 1) the corporation owns a water system or waterworks;
  - 2) 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
  - 3) the city or town which receive the water owns at least ninety-five percent (95%) of the corporation's capital stock.



# Exemptions - Ind. Code § 6-1.1-10-7 & Ind. Code § 6-1.1-10-8

## Ind. Code § 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.

## Ind. Code § 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 - Ind. Code § 6-1.1-10-9

## Ind. Code § 6-1.1-10-9

### Industrial waste control facilities

- (a) For purposes of this section, “industrial waste control facility” means personal property which is:
  - 1) included either as a part of or an adjunct to a privately owned manufacturing or industrial plant or coal mining operation; and
  - 2) used predominantly to:
    - A. 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
    - B. meet state or federal reclamation standards for a coal mining operation.



# Exemptions - Ind. Code § 6-1.1-10-9

- 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.



# Exemptions - Ind. Code § 6-1.1-10-16.7

## Ind. Code § 6-1.1-10-16.7

- Sec. 16.7. (a) Except as otherwise provided in this section, for assessment dates after December 31, 2021, all or part of real property is exempt from property taxation if:
  - 1) the improvements on the real property were constructed, rehabilitated, or acquired for the purpose of providing housing to income eligible persons under the federal low-income housing tax credit program under 26 U.S.C. 42;
  - 2) the real property is subject to an extended use agreement under 26 U.S.C. 42 as administered by the Indiana housing and community development authority; and
  - 3) the owner of the property has entered into an agreement to make payments in lieu of taxes under [Ind. Code § 36-1-8-14.2](#) (before its expiration), [Ind. Code § 36-2-6-22](#) (before its expiration), [Ind. Code § 36-3-2-11](#) (before its expiration), [Ind. Code § 36-1-8-14.3](#), [Ind. Code § 36-2-6-23](#), or [Ind. Code § 36-3-2-12](#).



# Exemptions - Ind. Code § 6-1.1-10-16.7

- (b) This section may not be construed in such a way as to:
- 1) alter the terms of an agreement with the holders of any outstanding notes, bonds, or other obligations of an issuing body;
  - 2) authorize the issuing body to alter the terms of an agreement described in subdivision (1); or
  - 3) impair, or authorize the issuing body to impair, the rights and remedies of any creditor of the issuing body.



# Exemptions - Ind. Code § 6-1.1-10-21

## Ind. Code § 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 - Ind. Code § 6-1.1-10-21

## Ind. Code § 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.



# Exemptions

- 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 Ind. Code § 6-1.1-10-21.

## RELIGIOUS USE PROPERTY TAX EXEMPTION

<b>Is the property being transferred going to continue to be used by a church or religious society for the same property tax exempt purposes provided by IC 6-1.1-10-21(e)?</b>	<b>YES</b> <input type="checkbox"/>	<b>NO</b> <input type="checkbox"/>
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# Exemptions

- 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 - Ind. Code § 6-1.1-10-25

- Ind. Code § 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:
  - YMCA
  - The Salvation Army, Inc.
  - The Knights of Columbus
  - The Young Men's Hebrew Association
  - The Young Women's Christian Association
  - A chapter or post of Disabled American Veterans of WWI or WWII
  - A chapter or post of the Veterans of Foreign Wars
  - A post of the American Legion
  - A post of the American War Veterans
  - The Boys Scouts of America
  - The Girl Scouts of the U.S.A.
  - The Indiana Historical Society, Inc. (Per HEA 1210-2026, Sect. 40, Retroactive to January 1, 2026)



# Various Exemption Statutes

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



# Exemptions - War Monuments

- War Monuments
  - **Ind. Code § 10-18-1-36**
    - All property constituting a memorial or used in connection with a memorial.
  - **Ind. Code § 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 Ind. Code § 10-18-2.
  - **Ind. Code § 10-18-3-12**
    - Property used for the erection, establishment, management, maintenance, repair, improvement, and extension of a county memorial.



# Exemptions - War Monuments

- War Monuments
  - **Ind. Code § 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.
  - **Ind. Code § 10-18-7-9**
    - Stock and property of a memorial corporation.
  - **Ind. Code § 23-7-7-3**
    - Battlegrounds or other historic sites acquired for the purpose of maintaining or improving for historical purposes.



# Exemptions - Hospital Facilities

- Hospital Facilities
  - **Ind. Code § 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.
  - **Ind. Code § 16-22-6-34** (County Hospital Building Authority)
    - Property owned by the authority is exempt from taxation.



# Exemptions - Educational Entities

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



# Exemptions - Certain Boards, Commissions, & Authorities

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



# Exemptions - Certain Boards, Commissions, & Authorities

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



# Exemptions - Ind. Code § 6-1.1-10-37.5

## Ind. Code § 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:
  - 1) is legally reserved for the exclusive use and enjoyment of all lot owners;
  - 2) 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;
  - 3) cannot be transferred for value to another party without approval of the lot owners;
  - 4) does not include a Class 2 structure; and
  - 5) is not designed or approved for the construction of a Class 2 structure.



# Exemptions

- 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 - Ind. Code § 6-1.1-10-37

## Ind. Code § 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.



# Exemptions - Ind. Code § 6-1.1-11-3.8

## Ind. Code § 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:
  - 1) the existence of the lease;
  - 2) the terms of that lease; and
  - 3) the name and address of the lessee.
- Each county assessor must annually notify the Department in writing of this information.



# Exemptions - Ind. Code § 6-1.1-10-41

## Ind. Code § 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.



# Exemptions – Ind. Code § 20-47-2-21 & Ind. Code § 20-47-3-15

## **Ind. Code § 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 (Ind. Code § 6-5.5)

## **Ind. Code § 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.



# Exemptions – Ind. Code § 8-1.5-2-31 & Ind. Code § 36-1-10-18

## Ind. Code § 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.

## Ind. Code § 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.



# Exemptions – Ind. Code § 21-31-4-3

- State Educational Institutions (Ind. Code § 21-31-4-3)
  - All of the following are exempt from property taxation on any real estate leased under Ind. Code § 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.



# Exemptions - Ind. Code § 6-1.1-10-36.3

## Predominate Use Test

(Ind. Code § 6-1.1-10-36.3)

- Sec. 36.3.

(a) For purposes of this section, property is predominantly used or occupied for one (1) or more stated purposes if it is used or occupied for one (1) or more of those purposes during more than fifty percent (50%) of the time that it is used or occupied in the year that ends on the assessment date of the property.

(b) The determination under subsection (c) of:

- 1) the use or occupation of the property; and
- 2) the application of an exemption;
- 3) applies separately to each part of the property identified under Ind. Code § [6-1.1-11-3\(c\)\(5\)](#).



# Exemptions - Ind. Code § 6-1.1-10-36.3 (2)

- (c) If a section of this chapter states one (1) or more purposes for which property must be used or occupied in order to qualify for an exemption, then the exemption applies as follows:
  - 1) Property that is exclusively used or occupied for one (1) or more of the stated purposes is totally exempt under that section.
  - 2) Property that is predominantly used or occupied for one (1) or more of the stated purposes by a church, religious society, or not-for-profit school is totally exempt under that section.



# Exemptions - Ind. Code § 6-1.1-10-36.3 (3)

- 3) Property that is predominantly used or occupied for one (1) or more of the stated purposes by a person other than a church, religious society, or not-for-profit school is exempt under that section from property tax on the part of the assessment of the property that bears the same proportion to the total assessment of the property as the amount of time that the property was used or occupied for one (1) or more of the stated purposes during the year that ends on the assessment date of the property bears to the amount of time that the property was used or occupied for any purpose during that year. This subdivision does not apply to a for-profit provider of early childhood education services covered by section 46 of this chapter.
- 4) Property that is predominantly used or occupied for a purpose other than one (1) of the stated purposes is not exempt from any part of the property tax.
- (d) Property is not used or occupied for one (1) or more of the stated purposes during the time that a predominant part of the property is used or occupied in connection with a trade or business that is not substantially related to the exercise or performance of one (1) or more of the stated purposes.



# Frequently Asked Questions



# Frequently Asked Questions

- *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 (Ind. Code § 6-1.1-11-4).



# Frequently Asked Questions

- *Question: A church sold their property to a couple for personal use in June 2025. When should the religious exemption come off?*
- Answer: The exemption would come off for 2026 Pay 2027. Ind. Code § 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.
- Ind. Code § 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 Ind. Code § 6-1.1-10, the county assessor shall terminate the exemption for the next assessment date.”



# Frequently Asked Questions

- *Question: A for-profit entity sells property to the County on August 1, 2025. The property qualifies for a tax exemption. When should the County's property tax exemption become effective?*
- Answer: 2026 Pay 2027. Ind. Code § 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.



# Frequently Asked Questions

- *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 Ind. Code § 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.



# Frequently Asked Questions

- *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).



# Frequently Asked Questions

- *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. Ind. Code § 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 Ind. Code § 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.



# Frequently Asked Questions

- *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 (Ind. Code § 6-1.1-10-4) and municipal property (Ind. Code § 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 Ind. Code § 6-1.1-36-7.



Questions?



# Contact Information

- Barry Wood
  - Telephone: 317-232-3762
  - Email: [bwood@dlgf.in.gov](mailto:bwood@dlgf.in.gov)
- Website: [www.in.gov/dlgf](http://www.in.gov/dlgf)