

INFORMATION BULLETIN #38

INCOME TAX

MAY 2008

(Replaces Information Bulletin #38 dated January 1, 2003)

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SUBJECT: RENTER'S DEDUCTION

REFERENCE: IC 6-3-2-6

EFFECTIVE DATE: January 1, 2008 (RETROACTIVE)

INTRODUCTION

HEA 1001-2008 amended IC 6-3-2-6 to increase the renter's deduction effective for taxable years beginning after December 31, 2007. The deduction will be claimed on individual income tax returns filed for 2008 and subsequent tax years. Indiana residents who rent their dwelling and use it as their principal place of residence are allowed a deduction from adjusted gross income if the dwelling is subject to Indiana property tax. This

deduction applies to both rent paid on a single-family dwelling and any unit of a multiple-family dwelling.

I. LIMITATION OF DEDUCTION

The renter's deduction is limited to the actual amount of rent paid or \$3,000, whichever is less, for tax years beginning after December 31, 2007.

EXAMPLE: Taxpayer A paid rent totaling \$1,200 during the year. Because his total rent was less than the \$3,000 limitation, he may deduct \$1,200 on his return.

EXAMPLE: Taxpayer B paid rent totaling \$3,400 during the year. Since the total rent exceeded the \$3,000 limitation, the taxpayer may deduct only \$3,000 on the return.

EXAMPLE: If the taxpayer's payment includes items other than rent for the dwelling, the total payment must be segregated and the portion attributed to rent for the dwelling determined. Taxpayer C makes monthly payments of \$200 for his apartment. His landlord provides the utilities which average \$25 per month. Therefore, the taxpayer may use only \$175 of his monthly payment as a basis for deduction. The taxpayer's total deduction for the year would be \$2,100.

II. CLAIMING THE DEDUCTION

This deduction shall be claimed on the Indiana individual income tax return. When claiming the renter's deduction, the taxpayer is required to indicate the landlord(s) to whom the rent was paid and the location(s) of the property.

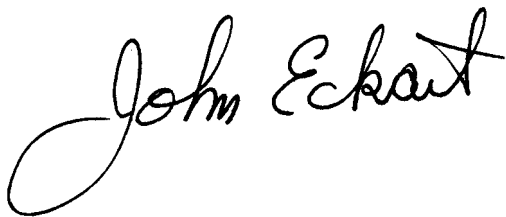
III. RENT ON MOBILE HOMES

Rent paid for mobile homes and for land use for mobile homes qualifies for this deduction provided the mobile home is the claimant's principal place of

residence. Owners of mobile homes who maintain the mobile home as their principal place of residence may deduct rent paid for land use.

IV. MEMBERS OF COOPERATIVE HOUSING

Members of cooperative-type housing projects, whereby each member shares in the ownership of the entire property, are not permitted to take the renter's deduction available on the individual income tax return. The purpose of the renter's deduction is to afford to renters, on their individual income tax returns, some property tax relief for rent paid on property subject to property tax. Since the payments made by the cooperative member to the cooperative association are based on a cost formula, it is the Department's position that each cooperative member will benefit from reduced property taxes through a reduction in his/her proportionate share of the cost. Furthermore, payments made by the member to the cooperative association are considered investments and do not constitute rent.

A handwritten signature in black ink that reads "John Eckart". The signature is written in a cursive style with a large, looping initial "J".

John Eckart
Commissioner