

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6771

BILL NUMBER: HB 1300

NOTE PREPARED: Dec 29, 2023

BILL AMENDED:

SUBJECT: Deadline to Apply for Standard Deduction.

FIRST AUTHOR: Rep. O'Brien

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that to obtain the homestead standard deduction for a desired calendar year in which property taxes are first due and payable, the statement to obtain the deduction must either be completed and dated in the immediately preceding calendar year and filed with the county auditor on or before January 5 of the calendar year in which the property taxes are first due and payable or, subject to a processing fee of \$100, completed, dated, and filed with the county auditor on or before April 30 of the year in which the property taxes are first due and payable.

Effective Date: July 1, 2024.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill could result in slightly reduced property tax revenues beginning in CY 2025. The bill will permit homeowners to file an application for a standard deduction from January 6 through April 30 of a year to be effective with taxes payable in that year if the homeowner pays a \$100 processing fee.

Under current law, homeowners may receive a standard deduction from the assessed value of their principal home. To receive the deduction, the homeowner must file an application one time with the county auditor. If completed by December 31, and filed by January 5, the deduction is effective with the next tax bill. If filed

after January 5, the deduction is currently not effective until taxes payable in the following year.

The standard deduction is worth 60% of assessed value (AV), up to \$48,000. Homeowners who receive the standard deduction automatically receive the supplemental standard deduction worth 35% on the first \$600,000 of net AV after the standard deduction plus 25% of the net AV that exceeds \$600,000. In addition, homes with a standard deduction are subject to a 1% tax cap.

(For taxes payable in CY 2025 only, the supplemental standard deduction will equal 37.5% on the first \$600,000 of net AV after the standard deduction plus 27.5% of the net AV that exceeds \$600,000.)

The revenue reduction will be caused by new deductions being applied after tax rates have been calculated without taking them into consideration. The application of the 1% homestead tax cap may also reduce revenue. The amount of revenue reduction depends on the number of late deduction applications that are filed each year.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units and school corporations..

Information Sources:

Fiscal Analyst: Bob Sigalow, 317-232-9859.