

HOUSE BILL No. 1413

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-4-4.5.

Synopsis: Property tax increase limits. Provides that for each calendar year beginning after December 31, 2023, an annual adjustment of the assessed value of certain real property may not exceed an amount equal to 3% over the assessed value of the real property for the prior tax year. Provides that the limitation does not apply if the assessment is based on substantial renovations or new improvements, a change of ownership, or uses that were not considered in the assessment for the prior tax year. Lists circumstances that do not constitute a change in ownership. Provides that substantial renovations or new improvements that replace all or a portion of a homestead property damaged or destroyed by a disaster may not increase the assessed value of the property when the square footage of the property as renovated or improved does not exceed 110% of the square footage of the property before the damage or destruction. Provides that the property's assessed value may not increase if the total square footage of the property as renovated or improved does not exceed 1,500 square feet. Provides that, subject to the 3% limitation, if the total square footage of the property as renovated or improved exceeds 1,500 square feet, the property's assessed value may be increased proportionately with regard to the renovated or improved portion of the property that is in excess of 110% of the square footage of the property before the damage or destruction.

Effective: July 1, 2023.

Smaltz

January 17, 2023, read first time and referred to Committee on Ways and Means.



First Regular Session of the 123rd General Assembly (2023)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2022 Regular Session of the General Assembly.

HOUSE BILL No. 1413

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-4-4.5, AS AMENDED BY P.L.8-2022,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2023]: Sec. 4.5. (a) The department of local government
4 finance shall adopt rules establishing a system for annually adjusting
5 the assessed value of real property to account for changes in value
6 in those years since a reassessment under section 4.2 of this chapter for
7 the property last took effect.
8 (b) Subject to subsection ~~(f)~~; **(j)**, the system must be applied to
9 adjust assessed values beginning with the 2006 assessment date and
10 each year thereafter that is not a year in which a reassessment under
11 section 4.2 of this chapter for the property becomes effective.
12 (c) The rules adopted under subsection (a) must include the
13 following characteristics in the system:
14 (1) Promote uniform and equal assessment of real property within
15 and across classifications.
16 (2) Require that assessing officials:
17 (A) reevaluate the factors that affect value;



- 1 (B) express the interactions of those factors mathematically;
 2 (C) use mass appraisal techniques to estimate updated property
 3 values within statistical measures of accuracy; and
 4 (D) provide notice to taxpayers of an assessment increase that
 5 results from the application of annual adjustments.
 6 (3) Prescribe procedures that permit the application of the
 7 adjustment percentages in an efficient manner by assessing
 8 officials.
- 9 **(d) This subsection applies only to homesteads (as defined in**
 10 **IC 6-1.1-12-37(a)(2)). For each calendar year beginning after**
 11 **December 31, 2023, an annual adjustment of the assessed value of**
 12 **any real property under this section may not exceed an amount**
 13 **equal to three percent (3%) over the assessed value of the real**
 14 **property for the prior tax year. This subsection does not apply to**
 15 **an assessment if the assessment is based on substantial renovations**
 16 **or new improvements, a change of ownership, or uses that were not**
 17 **considered in the assessment for the prior tax year.**
- 18 (e) Substantial renovations or new improvements described in
 19 subsection (d) will be assessed as of January 1 after the substantial
 20 renovations or new improvements are substantially completed.
- 21 (f) For purposes of this subsection, "homestead deduction"
 22 refers to the standard deduction for homesteads under
 23 IC 6-1.1-12-37. A change in ownership for purposes of subsection
 24 (d) means any sale, foreclosure, or transfer of legal title or
 25 beneficial title in equity to any person. There is no change in
 26 ownership for purposes of subsection (d) if any of the following
 27 apply:
- 28 (1) Subsequent to the change or transfer, the same person is
 29 entitled to the homestead deduction as was previously entitled
 30 and:
- 31 (A) the transfer of title is to correct an error;
 32 (B) the transfer is between the holder or holders of legal
 33 title and the holder or holders of equitable title, or between
 34 the holder or holders of equitable title and another holder
 35 or other holders of equitable title, and no additional person
 36 applies for a homestead deduction on the property; or
 37 (C) the change or transfer is by means of an instrument in
 38 which the owner is listed as both grantor and grantee of
 39 the real property and one (1) or more other individuals are
 40 additionally named as a grantee. However, if any
 41 individual who is additionally named as a grantee applies
 42 for a homestead deduction on the property, the application



- 1 shall be considered a change of ownership.
- 2 **(2) Legal or equitable title is changed or transferred between**
- 3 **spouses, including a change or transfer to a surviving spouse**
- 4 **or a transfer due to a dissolution of marriage.**
- 5 **(3) The transfer occurs by operation of law to the surviving**
- 6 **spouse or to a minor child or children.**
- 7 **(4) Upon the death of the owner, the transfer is between the**
- 8 **owner and another individual who is a permanent resident**
- 9 **and is legally dependent upon the owner.**
- 10 **(5) The property is transferred to a revocable or irrevocable**
- 11 **trust.**
- 12 **(g) Substantial renovations or new improvements that replace**
- 13 **all or a portion of a homestead property damaged or destroyed by**
- 14 **a disaster (as defined in IC 10-14-3-1), or substantially damaged by**
- 15 **flood as described in 44 CFR 59.1, may not increase the assessed**
- 16 **value of the property if the square footage of the property as**
- 17 **renovated or improved does not exceed one hundred ten percent**
- 18 **(110%) of the square footage of the property before the damage or**
- 19 **destruction. Additionally, the property's assessed value may not**
- 20 **increase if the total square footage of the property as renovated or**
- 21 **improved does not exceed one thousand five hundred (1,500)**
- 22 **square feet. Subject to the three percent (3%) limitation under**
- 23 **subsection (d), if the total square footage of the property as**
- 24 **renovated or improved exceeds one thousand five hundred (1,500)**
- 25 **square feet, the property's assessed value may be increased**
- 26 **proportionately with regard to the renovated or improved portion**
- 27 **of the property that is in excess of one hundred ten percent (110%)**
- 28 **of the square footage of the property before the damage or**
- 29 **destruction.**
- 30 ~~(e)~~ **(h) The department of local government finance must review**
- 31 **and certify each annual adjustment determined under this section.**
- 32 ~~(e)~~ **(i) For an assessment beginning after December 31, 2022,**
- 33 **agricultural improvements such as but not limited to barns, grain bins,**
- 34 **or silos on land assessed as agricultural shall not be adjusted using**
- 35 **factors, such as neighborhood delineation, that are appropriate for use**
- 36 **in adjusting residential, commercial, and industrial real property. Those**
- 37 **portions of agricultural parcels that include land and buildings not used**
- 38 **for an agricultural purpose, such as homes, homesites, and excess**
- 39 **residential land and commercial or industrial land and buildings, shall**
- 40 **be adjusted by the factor or factors developed for other similar property**
- 41 **within the geographic stratification. The residential portion of**
- 42 **agricultural properties shall be adjusted by the factors applied to**



1 similar residential purposes.

2 (f) (j) In making the annual determination of the base rate to satisfy
 3 the requirement for an annual adjustment for each assessment date, the
 4 department of local government finance shall not later than March 1 of
 5 each year determine the base rate using the methodology reflected in
 6 Table 2-18 of Book 1, Chapter 2 of the department of local government
 7 finance's Real Property Assessment Guidelines (as in effect on January
 8 1, 2005), except that the department shall adjust the methodology as
 9 follows:

10 (1) Use a six (6) year rolling average adjusted under subdivision
 11 (3) instead of a four (4) year rolling average.

12 (2) Use the data from the six (6) most recent years preceding the
 13 year in which the assessment date occurs for which data is
 14 available, before one (1) of those six (6) years is eliminated under
 15 subdivision (3) when determining the rolling average.

16 (3) Eliminate in the calculation of the rolling average the year
 17 among the six (6) years for which the highest market value in use
 18 of agricultural land is determined.

19 (4) After determining a preliminary base rate that would apply for
 20 the assessment date without applying the adjustment under this
 21 subdivision, the department of local government finance shall
 22 adjust the preliminary base rate as follows:

23 (A) If the preliminary base rate for the assessment date would
 24 be at least ten percent (10%) greater than the final base rate
 25 determined for the preceding assessment date, a capitalization
 26 rate of eight percent (8%) shall be used to determine the final
 27 base rate.

28 (B) If the preliminary base rate for the assessment date would
 29 be at least ten percent (10%) less than the final base rate
 30 determined for the preceding assessment date, a capitalization
 31 rate of six percent (6%) shall be used to determine the final
 32 base rate.

33 (C) If neither clause (A) nor clause (B) applies, a capitalization
 34 rate of seven percent (7%) shall be used to determine the final
 35 base rate.

36 (D) In the case of a market value in use for a year that is used
 37 in the calculation of the six (6) year rolling average under
 38 subdivision (1) for purposes of determining the base rate for
 39 the assessment date:

40 (i) that market value in use shall be recalculated by using the
 41 capitalization rate determined under clauses (A) through (C)
 42 for the calculation of the base rate for the assessment date;



1 and
2 (ii) the market value in use recalculated under item (i) shall
3 be used in the calculation of the six (6) year rolling average
4 under subdivision (1).
5 ~~(g)~~ **(k)** For assessment dates after December 31, 2009, an
6 adjustment in the assessed value of real property under this section
7 shall be based on the estimated true tax value of the property on the
8 assessment date that is the basis for taxes payable on that real property.
9 ~~(h)~~ **(l)** The department shall release the department's annual
10 determination of the base rate on or before March 1 of each year.

