HOUSE BILL No. 1290

DIGEST OF HB 1290 (Updated January 22, 2016 11:18 am - DI 113)

Citations Affected: IC 6-1.1.

Synopsis: Assessment of real property. Repeals provisions enacted in 2015 concerning the assessment of: (1) certain limited market or special purpose property; and (2) commercial nonincome producing real property. Provides that in addition to the factors under current law, the department of local government finance (DLGF) shall also provide for the classification of improvements on the basis of market segmentation. Specifies that the value in exchange of an improved property does not reflect the true tax value of the improved property if a market segmentation analysis indicates that purportedly comparable sale properties have a different market or submarket for the current use of the improved property. Specifies that a market segmentation analysis must be conducted in conformity with generally accepted appraisal principles and is not limited to the categories of markets and submarkets enumerated in the rules or guidance materials adopted by the DLGF. Provides that true tax value shall be determined under the rules of the DLGF (subject to the provisions of the property tax article), and that the DLGF's rules may include examples to illustrate true tax value. Specifies that true tax value does not mean the value of the property to the user.

Effective: January 1, 2016 (retroactive).

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HB 1290—LS 6505/DI 73
January 26, 2016

Second Regular Session of the 119th General Assembly (2016)

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 2015 Regular Session of the General Assembly.

HOUSE BILL No. 1290

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

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

SECTION 1. IC 6-1.1-4-43 IS REPEALED [EFFECTIVE JANUARY 1, 2016 (RETROACTIVE)]. Sec. 43. (a) This section applies to a real property assessment for:

(1) the 2014 assessment date and assessment dates thereafter; and
(2) real property that is:
(A) a limited market or special purpose property that would commonly be regarded as a big box retail building under standard appraisal practices and is at least fifty thousand (50,000) square feet; and
(B) occupied by the original owner or by a tenant for which the improvement was built.

(b) This section does not to apply to the assessment of multi-tenant income producing shopping centers (as defined by the Appraisal Institute Dictionary of Real Estate Appraisal (5th Edition)):
(c) In determining the true tax value of real property under this section which has improvements with an effective age is ten (10) years or less under the rules of the department, assessing officials shall apply

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the cost approach; less depreciation and obsolescence under the rules and guidelines of the department. For purposes of this subsection; the land value shall be assessed separately. The assessed value of the land underlying the improvements assessed under this section may be assessed or challenged based on the market value of comparable land.

(d) This subsection applies to a taxpayer that files a notice under IC 6-1.1-15 after April 30, 2015; requesting a review of the assessment of the taxpayer’s real property that is subject to this section: If the effective age of the improvements is ten (10) years or less under the rules of the department; a taxpayer must provide to the appropriate county or township assessing official information concerning the actual construction costs for the real property. Notwithstanding IC 6-1.1-15; if a taxpayer does not provide all relevant and reasonably available information concerning the actual construction costs for the real property before the hearing scheduled by the county property tax assessment board of appeals regarding the assessment of the real property; the appeal may not be reviewed until all the information is provided; If a taxpayer does provide the information concerning the actual construction costs for the real property and the construction costs for the real property are greater than the cost values determined by using the cost tables under the rules and guidelines of the department of local government finance; then for purposes of applying the cost approach under subsection (b) or (c) the depreciation and obsolescence shall be deducted from the construction costs rather than the than the cost values determined by using the cost tables under the rules and guidelines of the department of local government finance.

SECTION 2. IC 6-1.1-4-44 IS REPEALED [EFFECTIVE JANUARY 1, 2016 (RETROACTIVE)]. Sec. 44. (a) This section applies to a real property assessment of commercial nonincome producing real property, including a sale-leaseback property; for:

(1) the 2014 assessment date and assessment dates thereafter; or
(2) any assessment date; if an assessment appeal is pending before the county property tax assessment board of appeals or the board of tax review.

(b) This section does not apply to the assessment of multi-tenant income producing shopping centers (as defined by the Appraisal Institute Dictionary of Real Estate Appraisal (5th Edition)).

(c) As used in this section; “sale-leaseback” means a transaction in which one (1) party sells a property to a buyer; and the buyer leases the property back to the seller.

(d) In determining the true tax value of real property under this section which has improvements with an effective age of ten (10) years
or less under the rules of the department; a comparable real property
sale may not be used if the comparable real property:

(1) has been vacant for more than one (1) year as of the
assessment date or in the case of industrial property vacant for
more than five (5) years;
(2) has significant restrictions placed on the use of the real
property by a recorded covenant, restriction, easement; or other
encumbrance on the use of the real property;
(3) was sold and is no longer used for the purpose; or a similar
purpose; for which the property was used by the original occupant
or tenant; or
(4) was not sold in an arm's length transaction.

SECTION 3. IC 6-1.1-31-6, AS AMENDED BY P.L.154-2006,
SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
JANUARY 1, 2016 (RETROACTIVE)]: Sec. 6. (a) With respect to the
assessment of real property, the rules of the department of local
government finance shall provide for:

(1) the classification of land on the basis of:
    (i) (A) acreage;
    (ii) (B) lots;
    (iii) (C) size;
    (iv) (D) location;
    (v) (E) use;
    (vi) (F) productivity or earning capacity;
    (vii) (G) applicable zoning provisions;
    (viii) (H) accessibility to highways, sewers, and other public
    services or facilities; and
    (ix) (I) any other factor that the department determines by rule
    is just and proper; and

(2) the classification of improvements on the basis of:
    (i) (A) size;
    (ii) (B) location;
    (iii) (C) use;
    (iv) (D) type and character of construction;
    (v) (E) age;
    (vi) (F) condition;
    (vii) (G) cost of reproduction; and

(H) market segmentation; and

(viii) (I) any other factor that the department determines by
rule is just and proper.

(b) With respect to the assessment of real property, the rules of the
department of local government finance shall include instructions for
determining:

1. the proper classification of real property;
2. the size of real property;
3. the effects that location and use have on the value of real property;
4. the productivity or earning capacity of:
   (A) agricultural land; and
   (B) real property regularly used to rent or otherwise furnish residential accommodations for periods of thirty (30) days or more;
5. sales data for generally comparable properties; and
6. the true tax value of real property based on the factors listed in this subsection and any other factor that the department determines by rule is just and proper.

(c) With respect to the assessment of real property, true tax value does not mean fair market value. Subject to this article, true tax value is the value determined under the rules of the department of local government finance.

(d) The value in exchange of an improved property does not reflect the true tax value of the improved property if a market segmentation analysis indicates that purportedly comparable sale properties have a different market or submarket for the current use of the improved property. Any market segmentation analysis must be conducted in conformity with generally accepted appraisal principles and is not limited to the categories of markets and submarkets enumerated in the rules or guidance materials adopted by the department of local government finance.

(e) True tax value does not mean the value of the property to the user.

(f) Subject to this article, true tax value shall be determined under the rules of the department of local government finance. The department’s rules may include examples to illustrate true tax value.

SECTION 4. An emergency is declared for this act.
COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1290, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

(Reference is to HB 1290 as introduced.)

Committee Vote: Yeas 21, Nays 1

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