

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

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FISCAL IMPACT STATEMENT

LS 6506

BILL NUMBER: SB 236

NOTE PREPARED: Feb 1, 2022

BILL AMENDED: Jan 25, 2022

SUBJECT: Eligibility for Senior Property Tax Deduction.

FIRST AUTHOR: Sen. Holdman

FIRST SPONSOR: Rep. Brown T

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill increases the adjusted gross income threshold for an individual at least 65 years of age to obtain a deduction from the assessed value of the individual's real property from \$30,000 to \$40,000. It also increases the threshold for an individual at least 65 years of age filing a joint return from \$40,000 to \$50,000. The bill increases the maximum assessed value of the real property from \$200,000 to \$300,000 to be eligible for the deduction. It also provides that an individual is not entitled to a refund for the deduction for any previous year in which the assessed value of the individual's real property would have qualified for the deduction for that year due to a subsequent increase in the assessed value threshold.

Effective Date: July 1, 2022.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary* - Beginning with taxes payable in 2024, the expansion of the over 65 property tax deduction will result in an estimated \$14.7 M to \$21.8 M in combined property tax shifts to other taxpayers and revenue losses to local units.

Deduction: By expanding the eligibility for the deduction, the bill will increase the number of over 65 property tax deductions by an estimated 42,500 to 63,000 annually, resulting in \$596 M to \$882 M in new deductions. While the bill impacts property taxes beginning in 2024, it could take a couple years to reach the

full impact as taxpayers who are currently ineligible become aware they are eligible for the deduction.

Additional Information - In 2021, nearly 102,000 homesteads received the over 65 deduction, which reduces net AV by \$14,000. Under current law, taxpayers only apply for the deduction once, and as long as the taxpayer's gross AV remains below \$200,000, the taxpayer will automatically receive the deduction the next year. If the gross AV increases above \$200,000, the taxpayer will continue to receive the deduction as long as the increase was not attributable to physical improvements to the property. If the taxpayer's income grows to exceed \$30,000 (single) or \$40,000 (married), the taxpayer is responsible to alert the county auditor that they are no longer eligible for the deduction.

State Agencies Affected:

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

Information Sources: LSA property tax database.

Fiscal Analyst: Austin Spears, 317-234-9454.