

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

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FISCAL IMPACT STATEMENT

LS 6833

BILL NUMBER: HB 1381

NOTE PREPARED: Dec 30, 2023

BILL AMENDED:

SUBJECT: Property Tax Deductions and Credits.

FIRST AUTHOR: Rep. Judy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill makes the following property tax changes for assessment dates occurring after December 31, 2024:

- (1) Increases the assessed value (AV) cap from \$240,000 to \$350,000 that applies to an individual's eligibility for the: (A) over 65 property tax deduction; and (B) over 65 circuit breaker credit; without altering the requirement in current law that any subsequent increases in AV are not considered unless the increase is attributable to substantial renovation or new improvements to the property.
- (2) Eliminates the AV cap that applies to the property tax deduction for a veteran who: (A) has a total disability; or (B) is at least 62 years of age and has at least a 10% disability.

Effective Date: July 1, 2024.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* This bill revises the AV limits for both the 65 and over property tax deduction and the 65 and over tax cap credit, as well as eliminating the AV limit for the 100% disabled veteran deduction. These three provisions will result in a reduction of local revenues due to an increase in property tax cap losses. The changes to the deductions will also cause tax shifts from the new taxpayers receiving the deductions to all other taxpayers.

Over 65 Property Tax Deduction: Beginning with taxes due in CY 2026, this provision may result in an estimated 22,600 additional taxpayers qualifying for an estimated \$317 M in additional deductions. These additional deductions could be worth about \$6.8 M in taxes to the recipients. Some of these taxes will be shifted to other taxpayers through increased tax rates, and some will be lost to higher tax cap credits. [For taxes payable in 2023 under current law, 97,800 taxpayers received the 65 and over deduction totaling \$1.3 B in AV.]

Over 65 Property Tax Credit: Beginning with taxes due in CY 2026, this provision may result in an estimated 16,000 additional taxpayers qualifying for the 65 and over tax cap credit. Qualifying homeowners receive a credit that limits the growth in net property tax bills to 2% per year. At least initially, the additional credits will be minimal, but they will increase over time. [For taxes payable in 2023 under current law, 69,200 taxpayers received 65 and over tax cap credits totaling \$31 M in tax.]

Disabled Veteran Deduction: Beginning with taxes due in CY 2026, this provision will result in an increase in the number of disabled veterans who may qualify for the deduction. Based on current claim rates and homestead values, an estimated additional 20,000 veterans could claim about \$280 M in AV deductions worth about \$6.1 M in taxes. Some of these taxes will be shifted to other taxpayers through increased tax rates, and some will be lost to higher tax cap credits. (Currently, the AV cap is \$200,000.) [For taxes payable in 2023 under current law, 27,800 taxpayers received the 100% disabled veteran deduction totaling \$355 M in AV.]

State Agencies Affected:

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

Information Sources: LSA property tax database.

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