

Indiana Housing Conference

Indiana's must-attend conference for affordable housing professionals.

Indiana Property Taxation of Affordable Housing – Overview and Update

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Assessment Process

- For 2016 pay 2017 and following:
 - January 1 Assessment Date (beginning January 1, 2016)
- January 1, 2017 Assessment Date
- Form 11 Notices of Assessment or Tax Bill
- 45 Days to Appeal

Assessment Process

- Informal Conference
- PTABOA Hearing
- Indiana Board of Tax Review Hearing
- Indiana Tax Court
- Indiana Supreme Court

Section 42 LIHTC Properties

- Special statute regarding assessment
- Greater of income capitalization approach value or 5% gross rents test value
- Difference in assessment statutes between LIHTC properties and market apartments
- Impact of a sale price

Common Issues

- First time assessment issues following construction
- Cost Approach vs. Income Approach
- Mixed Use Issues
- Actual rent vs. HUD maximum allowable rent

Recent Developments

- 2%/3% tax rate cap allocation issue
- Application of tax rate cap based on gross assessed value (litigation versus legislative solutions)
- Definition in tax rate cap structure regarding "gross assessed value"

Exemption Process

- Form 136
- **April 1st Deadline for 2017**
- Assessor review
- PTABOA role

Exemption Process

- Trends
- PILOTs (new sunset provision in statute)
- Settlements
- Abatements

Section 42 LIHTC – Legislative Changes

HOUSE ENROLLED ACT 1450

SECTION 7. IC 6-1.1-4-41, AS AMENDED BY P.L.1-2006, SECTION 132, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]:

Sec. 41.

(a) For purposes of this section,

(1) "low income rental property" means real property used to provide low income housing eligible for federal income tax credits awarded under Section 42 of the Internal Revenue Code, and **including during the time period during which the property is subject to an extended low income housing commitment under Section 42(h)(6)(B) of the Internal Revenue Code.**

(2) "rental period" means the period during which low income rental property is eligible for federal income tax credits awarded under Section 42 of the Internal Revenue Code.

(b) For assessment dates after February 28, 2006, the true tax value of low income rental property is the greater of the true tax value:

(1) determined using the income capitalization approach; or

(2) that results in a gross annual tax liability equal to five percent (5%) of the total gross rent received from the rental of all units in the property for the most recent taxpayer fiscal year that ends before the assessment date.

(c) For assessment dates after December 31, 2017, the total true tax value of low income rental property that offers or is used to provide Medicaid assisted living services is equal to the total true tax value that results in a gross annual tax liability equal to five percent (5%) of the total gross rent received from the rental of all living units in the property for the most recent taxpayer fiscal year that ends before the assessment date. The total true tax value shall not include the gross receipts from, or value of, any assisted living services provided.

Legislative Developments

SENATE BILL 559

Synopsis:

Property tax exemption for affordable housing. Provides a property tax exemption for affordable rental housing property when the property does not otherwise qualify for a property tax exemption. Provides that, in order to qualify for the exemption, the owner must meet the criteria applied by the Internal Revenue Service in determining if an organization that provides low income housing is considered charitable because it relieves the poor and distressed. Effective January 1, 2018.

Incentives Scheduled for 2017

- (1) Economic Development for a Growing Economy (EDGE) Credit
- (2) Headquarters Relocation Credit
- (3) Hoosier Business Investment (HBI) Credit
- (4) Patent-Derived Income Deduction
- (5) Research Expense Credit
- (6) Venture Capital Investment (VCI) Credit
- (7) Economic Revitalization Area Personal Property Tax Abatement
- (8) Economic Revitalization Area Real Property Tax Abatement
- (9) Infrastructure Development Zone Deduction
- (10) Marine Opportunity District Deduction
- (11) Research and Development Property Sales Tax Exemption
- (12) Certified Technology Parks and Professional Sports Development Areas

IBTR: By the Numbers

- 2,800 Appeals filed annually (on average)
- 4,500 Appeals pending before the Board
- 2,800 Appeals closed annually (on average)
- An appeal is filed for each parcel and tax year, which means the Board has a much smaller case-load than at first glance

IBTR: By the Numbers

- 50% Commercial
- 27% Residential
- 8% Industrial
- 14% Exemption
- <1% Miscellaneous (Agricultural, Personal Property, DLGF, etc.)

IBTR Trends

- Uptick in complex commercial cases:
 - Big box
 - National chain drug stores
- Uptick in exemption cases:
 - Low income housing
 - Hospital/medical
 - Social clubs
 - Union halls
- Look for Legislative fights in these areas

Exemptions – Legislative Proposals

- Exemptions for affordable housing
- Summer study committee
- Supportive Permanent Housing
- Rural Development
- Fiscal Policy Leadership
- State LIHTC

Regulatory Developments

- Potential changes to Section 42 statute – IHCDA property tax survey
- Increase in LIHTC appeals
- Lt. Governor's Policy