
HOUSE BILL No. 2090

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-12; IC 6-3.1-16-14; IC 6-3.1-22.

Synopsis: Historic and rehabilitated property. Specifies that for the purposes of the assessed value deduction for rehabilitated residential property rehabilitation means significant repairs, replacements, or improvements to an existing structure under the rules adopted by the state board of tax commissioners. Changes the minimum age of a structure from 10 years to 50 years for the purpose of claiming the assessed valued deduction for rehabilitated property that applies to both residential and nonresidential uses. Specifies the duration of the assessed valued deduction for rehabilitated property that applies to both residential and nonresidential uses. Provides a credit against the adjusted gross income tax to a taxpayer who rehabilitates registered historic structures to be used as the taxpayer's residence.

Effective: March 1, 2001 (retroactive); July 1, 2001; January 1, 2002.

Klinker, Scholer, Avery, Pond

January 17, 2001, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 112th General Assembly (2001)

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 *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

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HOUSE BILL No. 2090



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 6-1.1-12-18 IS AMENDED TO READ AS
 2 FOLLOWS [EFFECTIVE MARCH 1, 2001 (RETROACTIVE)]: Sec.
 3 18. (a) If the assessed value of residential real property described in
 4 subsection (d) of this section is increased because it has been
 5 rehabilitated, the owner may have deducted from the assessed value of
 6 the property an amount not to exceed the lesser of:
 7 (1) the total increase in assessed value resulting from the
 8 rehabilitation; or
 9 (2) nine thousand dollars (\$9,000) per rehabilitated dwelling unit.
 10 The owner is entitled to this deduction annually for a five (5) year
 11 period.
 12 (b) For purposes of this section, the term "rehabilitation" means
 13 **significant** repairs, replacements, or improvements **to an existing**
 14 **structure** which are intended to increase the livability, utility, safety,
 15 or value of the property **and which do not increase the total amount of**
 16 **floor space devoted to residential purposes unless the increase in floor**
 17 **space is required in order to make the building comply with a local**



1 ~~housing code or zoning ordinance~~; **under rules adopted by the state**
 2 **board of tax commissioners.**

3 (c) For the purposes of this section, the term "owner" or "property
 4 owner" includes any person who has the legal obligation, or has
 5 otherwise assumed the obligation, to pay the real property taxes on the
 6 rehabilitated property.

7 (d) The deduction provided by this section applies only for the
 8 rehabilitation of residential real property which is located within this
 9 state and which is described in one (1) of the following classifications:

10 (1) a single family dwelling if before rehabilitation the assessed
 11 value (excluding any exemptions or deductions) of the
 12 improvements does not exceed eighteen thousand dollars
 13 (\$18,000);

14 (2) a two (2) family dwelling if before rehabilitation the assessed
 15 value (excluding exemptions or deductions) of the improvements
 16 does not exceed twenty-four thousand dollars (\$24,000) and

17 (3) a dwelling with more than two (2) family units if before
 18 rehabilitation the assessed value (excluding any exemptions or
 19 deductions) of the improvements does not exceed nine thousand
 20 dollars (\$9,000) per dwelling unit.

21 SECTION 2. IC 6-1.1-12-22 IS AMENDED TO READ AS
 22 FOLLOWS [EFFECTIVE MARCH 1, 2001 (RETROACTIVE)]: Sec.

23 22. (a) If the assessed value of property is increased because it has been
 24 rehabilitated and the owner has paid at least ten thousand dollars
 25 (\$10,000) for the rehabilitation, the owner is entitled to have deducted
 26 from the assessed value of the property an amount equal to fifty percent
 27 (50%) of the increase in assessed value resulting from the
 28 rehabilitation. The owner is entitled to this deduction annually for a
 29 five (5) year period. However, the maximum deduction which a
 30 property owner may receive under this section for a particular year is:

31 (1) sixty thousand dollars (\$60,000) for a single family dwelling
 32 unit; or

33 (2) three hundred thousand dollars (\$300,000) for any other type
 34 of property.

35 (b) For purposes of this section, the term "property" means a
 36 building or structure which was erected at least ~~ten (10)~~ **fifty (50)** years
 37 before the date of application for the deduction provided by this
 38 section. The term "property" does not include land.

39 (c) For purposes of this section the term "rehabilitation" means ~~the~~
 40 ~~remodeling, repair, or betterment of property in any manner or any~~
 41 ~~enlargement or extension of property.~~ However, ~~the enlargement or~~
 42 ~~extension of the enclosed floor area of property shall, for computation~~

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1 of the deduction, be limited within a five (5) year period to a total
 2 additional enclosed floor area equal to the size of the enclosed floor
 3 area of the property on the date of completion of the first extension or
 4 enlargement completed after March 1, 1973. **significant repairs,**
 5 **replacements, or improvements to an existing structure that are**
 6 **intended to increase the livability, utility, safety, or value of the**
 7 **property under rules adopted by the state board of tax**
 8 **commissioners.**

9 SECTION 3. IC 6-1.1-12-23 IS AMENDED TO READ AS
 10 FOLLOWS [EFFECTIVE MARCH 1, 2001 (RETROACTIVE)]: Sec.
 11 23. The deduction from assessed value provided by section 22 of this
 12 chapter is first available in the year in which the increase in assessed
 13 value resulting from the rehabilitation occurs **after the first**
 14 **assessment date following the rehabilitation** and shall continue for
 15 the **taxes first due and payable in the** following ~~four (4)~~ **five (5)**
 16 years. In the sixth (6th) year, the county auditor shall add the amount
 17 of the deduction to the assessed value of the property. Any general
 18 reassessment of real property which occurs within the five (5) year
 19 period of the deduction does not affect the amount of the deduction.

20 SECTION 4. IC 6-3.1-16-14 IS AMENDED TO READ AS
 21 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 14. The amount of tax
 22 credits allowed under this chapter may not exceed:

23 (1) seven hundred fifty thousand dollars (\$750,000) in the state
 24 fiscal year beginning July 1, 1997, and the state fiscal year
 25 beginning July 1, 1998; ~~and~~

26 (2) four hundred fifty thousand dollars (\$450,000) in a state fiscal
 27 year that begins July 1, 1999, ~~or thereafter.~~ **and the state fiscal**
 28 **year beginning July 1, 2000; and**

29 (3) **five hundred thousand dollars (\$500,000) in a state fiscal**
 30 **year that begins July 1, 2001, or thereafter.**

31 SECTION 5. IC 6-3.1-22 IS ADDED TO THE INDIANA CODE
 32 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 33 JANUARY 1, 2002]:

34 **Chapter 22. Residential Historic Rehabilitation Credit**

35 **Sec. 1. The definitions set forth in:**

36 (1) IC 14-8-2 that apply to IC 14-21-1; and

37 (2) IC 14-21-1;

38 **apply throughout this chapter.**

39 **Sec. 2. As used in this chapter, "division" means the division of**
 40 **historic preservation and archeology of the department of natural**
 41 **resources.**

42 **Sec. 3. (a) As used in this chapter, "preservation" means the**

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1 application of measures to sustain the form, integrity, and material
2 of:

- 3 (1) a building or structure; or
4 (2) the form and vegetative cover of property.

5 (b) The term includes stabilization work and the maintenance
6 of historic building materials.

7 Sec. 4. (a) As used in this chapter, "qualified expenditures"
8 means expenditures for preservation or rehabilitation of a
9 structure that enables the structure to be principally used and
10 occupied by the taxpayer as the taxpayer's residence.

11 (b) The term does not include costs that are incurred to do the
12 following:

- 13 (1) Acquire a property or an interest in a property.
14 (2) Pay taxes due on a property.
15 (3) Enlarge an existing structure.
16 (4) Pay realtor's fees associated with a structure or property.
17 (5) Pay paving and landscaping costs.
18 (6) Pay sales and marketing costs.

19 Sec. 5. As used in this chapter, "rehabilitation" means the
20 process of returning a property to a state of utility through repair
21 or alteration that makes possible an efficient contemporary
22 residential use while preserving the parts or features of the
23 property that are significant to the historical, architectural, or
24 archeological values of the property.

25 Sec. 6. As used in this chapter, "state tax liability" means a
26 taxpayer's total tax liability incurred under IC 6-3-1 through
27 IC 6-3-7 (the adjusted gross income tax) as computed after the
28 application of all credits that under IC 6-3.1-1-2 are to be applied
29 before the credit provided by this chapter.

30 Sec. 7. As used in this chapter, "taxpayer" means:

- 31 (1) an individual filing a single return; or
32 (2) a married couple filing a joint return.

33 Sec. 8. (a) Subject to section 14 of this chapter, a taxpayer is
34 entitled to a credit against the taxpayer's state tax liability in the
35 taxable year in which the taxpayer completes the preservation or
36 rehabilitation of historic property and obtains the certifications
37 required under section 9 of this chapter.

38 (b) The amount of the credit is equal to twenty percent (20%)
39 of the qualified expenditures that:

- 40 (1) the taxpayer makes for the preservation or rehabilitation
41 of historic property; and
42 (2) are approved by the division.

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1 (c) In the case of a husband and wife who:

- 2 (1) own and rehabilitate a historic property jointly; and
 3 (2) file separate tax returns;

4 the husband and wife may take the credit in equal shares or one (1)
 5 spouse may take the whole credit.

6 Sec. 9. A taxpayer qualifies for a credit under section 8 of this
 7 chapter if all of the following conditions are met:

8 (1) The historic property is:

- 9 (A) located in Indiana;
 10 (B) at least fifty (50) years old; and
 11 (C) except as provided in section 8(c) of this chapter,
 12 owned by the taxpayer.

13 (2) The division certifies that the historic property is listed in
 14 the register of Indiana historic sites and historic structures.

15 (3) The division certifies that the taxpayer submitted a
 16 proposed preservation or rehabilitation plan to the division
 17 that complies with the standards of the division.

18 (4) The division certifies that the preservation or
 19 rehabilitation work that is the subject of the credit
 20 substantially complies with the proposed plan referred to in
 21 subdivision (3).

22 (5) The preservation or rehabilitation work is completed in
 23 not more than:

- 24 (A) two (2) years; or
 25 (B) five (5) years if the preservation or rehabilitation plan
 26 indicates that the preservation or rehabilitation is initially
 27 planned for completion in phases.

28 The time in which work must be completed begins when the
 29 physical work of construction or destruction in preparation
 30 for construction begins.

31 (6) The historic property is principally used and occupied by
 32 the taxpayer as the taxpayer's residence.

33 (7) The qualified expenditures for preservation or
 34 rehabilitation of the historic property exceed ten thousand
 35 dollars (\$10,000).

36 Sec. 10. (a) The division shall provide the certifications referred
 37 to in section 9(3) and 9(4) of this chapter if a taxpayer's proposed
 38 preservation or rehabilitation plan complies with the standards of
 39 the division and the taxpayer's preservation or rehabilitation work
 40 complies with the plan.

41 (b) The taxpayer may appeal a decision by the division under
 42 this chapter to the review board.

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1 **Sec. 11.** To obtain a credit under this chapter, a taxpayer must
 2 claim the credit on the taxpayer's annual state tax return or
 3 returns in the manner prescribed by the department of state
 4 revenue. The taxpayer shall submit to the department of state
 5 revenue the certifications by the division required under section 9
 6 of this chapter and all information that the department of state
 7 revenue determines is necessary for the calculation of the credit
 8 provided by this chapter.

9 **Sec. 12.** For purposes of IC 6-3, the adjusted basis of the
 10 structure shall be reduced by the amount of a credit granted under
 11 this chapter.

12 **Sec. 13. (a)** A credit claimed under this chapter shall be
 13 recaptured from the taxpayer if:

14 (1) the property is transferred less than five (5) years after
 15 completion of the certified preservation or rehabilitation
 16 work; or

17 (2) less than five (5) years after completion of the certified
 18 preservation or rehabilitation, additional modifications to the
 19 property are undertaken that do not meet the standards of the
 20 division.

21 (b) If the recapture of a credit is required under this section, an
 22 amount equal to the credit recaptured shall be added to the tax
 23 liability of the taxpayer for the taxable year during which the
 24 credit is recaptured.

25 **Sec. 14. (a)** If the credit provided by this chapter exceeds a
 26 taxpayer's state tax liability for the taxable year for which the
 27 credit is first claimed, the excess may be carried over to succeeding
 28 taxable years and used as a credit against the tax otherwise due
 29 and payable by the taxpayer under IC 6-3 during those taxable
 30 years. Each time that the credit is carried over to a succeeding
 31 taxable year, the credit is to be reduced by the amount that was
 32 used as a credit during the immediately preceding taxable year.
 33 The credit provided by this chapter may be carried forward and
 34 applied to succeeding taxable years for fifteen (15) taxable years
 35 following the unused credit year.

36 (b) A credit earned by a taxpayer in a particular taxable year
 37 shall be applied against the taxpayer's tax liability for that taxable
 38 year before any credit carryover is applied against that liability
 39 under subsection (a).

40 (c) A taxpayer is not entitled to any carryback or refund of any
 41 unused credit.

42 **Sec. 15.** The amount of tax credits allowed under this chapter

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1 **may not exceed two hundred fifty thousand dollars (\$250,000) in a**
 2 **state fiscal year beginning July 1, 2001, or thereafter.**
 3 **Sec. 16. The following may adopt rules under IC 4-22-2 to carry**
 4 **out this chapter:**
 5 **(1) The department of state revenue.**
 6 **(2) The division.**
 7 **SECTION 6. [EFFECTIVE JANUARY 1, 2002] IC 6-3.1-22, as**
 8 **added by this act, applies to taxable years beginning after**
 9 **December 31, 2001.**
 10 **SECTION 7. An emergency is declared for this act.**

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