

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6367**

**BILL NUMBER: HB 1277**

**DATE PREPARED:** Nov 11, 2001

**BILL AMENDED:**

**SUBJECT:** Veterans' and Spouses' Property Tax Deductions.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill extends eligibility for the property tax deduction for World War I veterans and surviving spouses to all veterans who serve in the United States armed forces in any war or perform equally hazardous duty.

**Effective Date:** Upon passage; January 1, 2002 (retroactive).

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The State levies a tax rate for State fair and State forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The revenue reduction is estimated at about \$85,000.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, WWI veterans or their surviving spouses may receive an assessed value (AV) deduction on their principal residence equal to \$9,000 if the assessed value is no greater than \$78,000. Because of a change in the definition of assessed value that took effect with the 2001 payable 2002 tax year, the current deduction and assessed value threshold are equal to three times the pre-2001 amounts. These changes did not affect final tax bills in any way. For clarity, assessed values and tax rates in this estimate will be expressed in 2002 terms.

This bill would allow a veteran (or surviving spouse) of any war or hazardous duty assignment who received an other than dishonorable discharge to receive the \$9,000 AV deduction against the AV of their principal residence. The \$78,000 AV limit on the residence would continue to apply.

According to the Census Bureau, there were approximately 459,000 veterans from Indiana who served in

WWI, the Korean Conflict, Viet Nam, or the Persian Gulf. The Veterans Administration estimates that approximately 418,200 of these veterans are still living. However, because a surviving spouse may claim the deduction, this analysis will consider the 459,000 veterans who served as the base.

According to data obtained from the Census Bureau, 71.4% of occupied housing units in Indiana are owner-occupied. Using additional Census data, it was estimated that 86.6% of homes are currently assessed at or under \$78,000 AV. When these two qualifying percentages are applied to the 459,000 veterans, an estimate of 284,000 qualifying veterans or spouses is produced. The potential additional deduction under this bill is estimated at \$2.56 B AV.

*The following estimate assumes that real and personal property will be assessed for 2002 pay 2003 using the newly adopted real and personal property assessment rules.* Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. A \$2.56 B reduction in assessed value would cause an estimated \$0.0168 increase in the statewide average net tax rate in CY 2003. This translates into a property tax shift of about \$48.5 M.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:** State Board of Tax Commissioners (Department of Local Government Finance).

**Local Agencies Affected:** County Auditors.

**Information Sources:** U.S. Department of Veterans Affairs, Office of the Actuary; U.S. Dept. of Commerce, Bureau of the Census; Local Government Database.