

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6789**

**BILL NUMBER:** HB 1474

**NOTE PREPARED:** Feb 11, 2003

**BILL AMENDED:** Feb 10, 2003

**SUBJECT:** Property Tax Deductions for Veterans.

**FIRST AUTHOR:** Rep. Kersey

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

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

**IMPACT:** State & Local

**Summary of Legislation:** This bill extends the disabled veteran property tax deductions to veterans who served in actual combat or other equally hazardous duty, regardless of time, or any foreign war, insurrection, or expedition that is recognized by a service or campaign medal of the United States.

**Effective Date:** July 1, 2003.

**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 would be minimal. For illustration purposes only, if this bill were to generate an additional 10% in veterans deductions, the state revenue loss would be estimated at about \$1,300 per year.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) There are two different property tax deductions available to disabled veterans under current law. A veteran who satisfies the requirements for both deductions may receive both deductions. The deductions are:

- 1) The partially disabled veterans deduction is equal to \$12,000 assessed value (AV) and is available to veterans with wartime service who were honorably discharged and received at least a 10% service-connected disability.

2) The disabled veterans deduction is equal to \$6,000 AV and is available to veterans who served at least 90 days, were honorably discharged, and who are totally disabled or are at least 62 years old with at least a 10% disability. This disability need not be service-connected. The AV of the property may not exceed \$54,000.

Under this bill, (1) in addition to war-time service for the partially disabled veterans deduction and (2) in lieu of the 90 day minimum service for the disabled veterans deduction, the deduction would be allowed if the veteran's service was during actual combat or equally hazardous duty, regardless of time, as long as the service was recognized by the military by the award of a service or campaign medal.

According to the Indiana Department of Veterans Affairs (IDVA), service in Korea, Vietnam, and Operation Desert Storm are all considered to be war-time service for veterans' benefits purposes and currently qualify for property tax deduction purposes. Service in Beirut, Grenada, and Panama, however, are not considered war-time and do not currently qualify for property tax deduction purposes, but would qualify under this proposal. The IDVA estimates that there would be very few additional deductions allowed under this provision because the number of Indiana veterans who served only during non-wartime combat or hazardous duty is very small.

In 2001 Pay 2002, the total amount of AV deducted for all veterans deductions was \$407.9 M. The actual increase is unknown, but for illustration purposes only, if this bill would generate an additional 10% in veterans' deductions, the additional deduction would be \$41 M AV. 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 \$41 M reduction in AV would cause a \$0.0003 increase in the statewide average net tax rate. Total local revenues, except for cumulative funds, would remain unchanged. Cumulative fund revenue would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County Auditors.

**Information Sources:** Mr. Jon Brinkley, Indiana Department of Veterans Affairs, 232-3910.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859