
SENATE BILL No. 59

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-3.1-29.

Synopsis: Tax credits. Provides that the homestead credit and the property tax replacement credit do not apply to taxes on the part of the assessed value of a homestead that is over \$300,000. Establishes an income tax credit for an individual in a specified income range for the lesser of \$375 or the amount by which the property taxes on the individual's homestead exceed a percentage of the individual's adjusted gross income.

Effective: January 1, 2004 (retroactive); July 1, 2004.

Simpson

November 21, 2003, read first time and referred to Committee on Finance.

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Second Regular Session 113th General Assembly (2004)

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 a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

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SENATE BILL No. 59



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 6-1.1-20.9-2, AS AMENDED BY
2 P.L.192-2002(ss), SECTION 38, IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JULY 1, 2004]: Sec. 2. (a) Except as
4 otherwise provided in section 5 of this chapter, an individual who on
5 March 1 of a particular year either owns or is buying a homestead
6 under a contract that provides the individual is to pay the property taxes
7 on the homestead is entitled each calendar year to a credit against the
8 property taxes which the individual pays on the individual's homestead.
9 However, only one (1) individual may receive a credit under this
10 chapter for a particular homestead in a particular year.

11 (b) The amount of the credit to which the individual is entitled
12 equals the product of:

- 13 (1) the percentage prescribed in subsection (d); multiplied by
- 14 (2) the amount of the individual's property tax liability, as that
15 term is defined in IC 6-1.1-21-5, which is:

16 (A) attributable **during the particular calendar year** to the
17 **part of the assessed value of the homestead during the**



1 ~~particular calendar year; that does not exceed three hundred~~
 2 **thousand dollars (\$300,000); and**
 3 (B) determined after the application of the property tax
 4 replacement credit under IC 6-1.1-21.

5 (c) For purposes of determining that part of an individual's property
 6 tax liability that is attributable to the individual's homestead, all
 7 deductions from assessed valuation which the individual claims under
 8 IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's
 9 homestead is located must be applied first against the assessed value
 10 of the individual's homestead before those deductions are applied
 11 against any other property.

12 (d) The percentage of the credit referred to in subsection (b)(1) is as
 13 follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2002	10%
2003 and thereafter	20%

20 However, the property tax replacement fund board established under
 21 IC 6-1.1-21-10, in its sole discretion, may increase the percentage of
 22 the credit provided in the schedule for any year, if the board feels that
 23 the property tax replacement fund contains enough money for the
 24 resulting increased distribution. If the board increases the percentage
 25 of the credit provided in the schedule for any year, the percentage of
 26 the credit for the immediately following year is the percentage provided
 27 in the schedule for that particular year, unless as provided in this
 28 subsection the board in its discretion increases the percentage of the
 29 credit provided in the schedule for that particular year. However, the
 30 percentage credit allowed in a particular county for a particular year
 31 shall be increased if on January 1 of a year an ordinance adopted by a
 32 county income tax council was in effect in the county which increased
 33 the homestead credit. The amount of the increase equals the amount
 34 designated in the ordinance.

35 (e) Before October 1 of each year, the assessor shall furnish to the
 36 county auditor the amount of the assessed valuation of each homestead
 37 for which a homestead credit has been properly filed under this chapter.

38 (f) The county auditor shall apply the credit equally to each
 39 installment of taxes that the individual pays for the property.

40 (g) Notwithstanding the provisions of this chapter, a taxpayer other
 41 than an individual is entitled to the credit provided by this chapter if:

- 42 (1) an individual uses the residence as the individual's principal

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- 1 place of residence;
- 2 (2) the residence is located in Indiana;
- 3 (3) the individual has a beneficial interest in the taxpayer;
- 4 (4) the taxpayer either owns the residence or is buying it under a
- 5 contract, recorded in the county recorder's office, that provides
- 6 that the individual is to pay the property taxes on the residence;
- 7 and
- 8 (5) the residence consists of a single-family dwelling and the real
- 9 estate, not exceeding one (1) acre, that immediately surrounds
- 10 that dwelling.

11 SECTION 2. IC 6-1.1-21-2, AS AMENDED BY P.L.224-2003,
 12 SECTION 137, IS AMENDED TO READ AS FOLLOWS
 13 [EFFECTIVE JULY 1, 2004]: Sec. 2. As used in this chapter:

14 (a) "Taxpayer" means a person who is liable for taxes on property
 15 assessed under this article.

16 (b) "Taxes" means property taxes payable in respect to property
 17 assessed under this article. The term does not include special
 18 assessments, penalties, or interest, but does include any special charges
 19 which a county treasurer combines with all other taxes in the
 20 preparation and delivery of the tax statements required under
 21 IC 6-1.1-22-8(a).

22 (c) "Department" means the department of state revenue.

23 (d) "Auditor's abstract" means the annual report prepared by each
 24 county auditor, which under IC 6-1.1-22-5 is to be filed on or before
 25 March 1 of each year with the auditor of state.

26 (e) "Mobile home assessments" means the assessments of mobile
 27 homes made under IC 6-1.1-7.

28 (f) "Postabstract adjustments" means adjustments in taxes made
 29 subsequent to the filing of an auditor's abstract which change
 30 assessments therein or add assessments of omitted property affecting
 31 taxes for such assessment year.

32 (g) "Total county tax levy" means the sum of:

- 33 (1) the remainder of:
 - 34 (A) the aggregate levy of all taxes for all taxing units in a
 - 35 county which are to be paid in the county for a stated
 - 36 assessment year as reflected by the auditor's abstract for the
 - 37 assessment year, adjusted, however, for any postabstract
 - 38 adjustments which change the amount of the aggregate levy;
 - 39 minus
 - 40 (B) the sum of any increases in property tax levies of taxing
 - 41 units of the county that result from appeals described in:
 - 42 (i) IC 6-1.1-18.5-13(5) and IC 6-1.1-18.5-13(6) filed after

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1 December 31, 1982; plus
 2 (ii) the sum of any increases in property tax levies of taxing
 3 units of the county that result from any other appeals
 4 described in IC 6-1.1-18.5-13 filed after December 31,
 5 1983; plus
 6 (iii) IC 6-1.1-18.6-3 (children in need of services and
 7 delinquent children who are wards of the county); minus
 8 (C) the total amount of property taxes imposed for the stated
 9 assessment year by the taxing units of the county under the
 10 authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed),
 11 IC 12-19-5, or IC 12-20-24; minus
 12 (D) the total amount of property taxes to be paid during the
 13 stated assessment year that will be used to pay for interest or
 14 principal due on debt that:
 15 (i) is entered into after December 31, 1983;
 16 (ii) is not debt that is issued under IC 5-1-5 to refund debt
 17 incurred before January 1, 1984; and
 18 (iii) does not constitute debt entered into for the purpose of
 19 building, repairing, or altering school buildings for which
 20 the requirements of IC 20-5-52 were satisfied prior to
 21 January 1, 1984; minus
 22 (E) the amount of property taxes imposed in the county for the
 23 stated assessment year under the authority of IC 21-2-6
 24 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a
 25 cumulative building fund whose property tax rate was initially
 26 established or reestablished for a stated assessment year that
 27 succeeds the 1983 stated assessment year; minus
 28 (F) the remainder of:
 29 (i) the total property taxes imposed in the county for the
 30 stated assessment year under authority of IC 21-2-6
 31 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a
 32 cumulative building fund whose property tax rate was not
 33 initially established or reestablished for a stated assessment
 34 year that succeeds the 1983 stated assessment year; minus
 35 (ii) the total property taxes imposed in the county for the
 36 1984 stated assessment year under the authority of IC 21-2-6
 37 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a
 38 cumulative building fund whose property tax rate was not
 39 initially established or reestablished for a stated assessment
 40 year that succeeds the 1983 stated assessment year; minus
 41 (G) the amount of property taxes imposed in the county for the
 42 stated assessment year under:

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- 1 (i) IC 21-2-15 for a capital projects fund; plus
- 2 (ii) IC 6-1.1-19-10 for a racial balance fund; plus
- 3 (iii) IC 20-14-13 for a library capital projects fund; plus
- 4 (iv) IC 20-5-17.5-3 for an art association fund; plus
- 5 (v) IC 21-2-17 for a special education preschool fund; plus
- 6 (vi) IC 21-2-11.6 for a referendum tax levy fund; plus
- 7 (vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in
- 8 a school corporation's maximum permissible general fund
- 9 levy for certain transfer tuition costs; plus
- 10 (viii) an appeal filed under IC 6-1.1-19-5.4 for an increase
- 11 in a school corporation's maximum permissible general fund
- 12 levy for transportation operating costs; minus
- 13 (H) the amount of property taxes imposed by a school
- 14 corporation that is attributable to the passage, after 1983, of a
- 15 referendum for an excessive tax levy under IC 6-1.1-19,
- 16 including any increases in these property taxes that are
- 17 attributable to the adjustment set forth in IC 6-1.1-19-1.5 or
- 18 any other law; minus
- 19 (I) for each township in the county, the lesser of:
- 20 (i) the sum of the amount determined in IC 6-1.1-18.5-19(a)
- 21 STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE,
- 22 whichever is applicable, plus the part, if any, of the
- 23 township's ad valorem property tax levy for calendar year
- 24 1989 that represents increases in that levy that resulted from
- 25 an appeal described in IC 6-1.1-18.5-13(5) filed after
- 26 December 31, 1982; or
- 27 (ii) the amount of property taxes imposed in the township for
- 28 the stated assessment year under the authority of
- 29 IC 36-8-13-4; minus
- 30 (J) for each participating unit in a fire protection territory
- 31 established under IC 36-8-19-1, the amount of property taxes
- 32 levied by each participating unit under IC 36-8-19-8 and
- 33 IC 36-8-19-8.5 less the maximum levy limit for each of the
- 34 participating units that would have otherwise been available
- 35 for fire protection services under IC 6-1.1-18.5-3 and
- 36 IC 6-1.1-18.5-19 for that same year; minus
- 37 (K) for each county, the sum of:
- 38 (i) the amount of property taxes imposed in the county for
- 39 the repayment of loans under IC 12-19-5-6 (repealed) that is
- 40 included in the amount determined under IC 12-19-7-4(a)
- 41 STEP SEVEN for property taxes payable in 1995, or for
- 42 property taxes payable in each year after 1995, the amount

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- 1 determined under IC 12-19-7-4(b); and
- 2 (ii) the amount of property taxes imposed in the county
- 3 attributable to appeals granted under IC 6-1.1-18.6-3 that is
- 4 included in the amount determined under IC 12-19-7-4(a)
- 5 STEP SEVEN for property taxes payable in 1995, or the
- 6 amount determined under IC 12-19-7-4(b) for property taxes
- 7 payable in each year after 1995; plus
- 8 (2) all taxes to be paid in the county in respect to mobile home
- 9 assessments currently assessed for the year in which the taxes
- 10 stated in the abstract are to be paid; plus
- 11 (3) the amounts, if any, of county adjusted gross income taxes that
- 12 were applied by the taxing units in the county as property tax
- 13 replacement credits to reduce the individual levies of the taxing
- 14 units for the assessment year, as provided in IC 6-3.5-1.1; plus
- 15 (4) the amounts, if any, by which the maximum permissible ad
- 16 valorem property tax levies of the taxing units of the county were
- 17 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
- 18 assessment year; plus
- 19 (5) the difference between:
 - 20 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 - 21 minus
 - 22 (B) the amount the civil taxing units' levies were increased
 - 23 because of the reduction in the civil taxing units' base year
 - 24 certified shares under IC 6-1.1-18.5-3(e).
- 25 (h) "December settlement sheet" means the certificate of settlement
- 26 filed by the county auditor with the auditor of state, as required under
- 27 IC 6-1.1-27-3.
- 28 (i) "Tax duplicate" means the roll of property taxes which each
- 29 county auditor is required to prepare on or before March 1 of each year
- 30 under IC 6-1.1-22-3.
- 31 (j) "Eligible property tax replacement amount" is equal to the sum
- 32 of the following:
 - 33 (1) Sixty percent (60%) of:
 - 34 (A) the total county tax levy imposed by each school
 - 35 corporation in a county for its general fund for a stated
 - 36 assessment year; **minus**
 - 37 **(B) the part of the total county tax levy described in clause**
 - 38 **(A) that is attributable to the taxes imposed on the part of**
 - 39 **the assessed value exceeding three hundred thousand**
 - 40 **dollars (\$300,000) of each taxpayer's homestead (as**
 - 41 **defined in IC 6-1.1-20.9-1).**
 - 42 (2) Twenty percent (20%) of:

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1 (A) the total county tax levy (less sixty percent (60%) of the
 2 levy for the general fund of a school corporation that is part of
 3 the total county tax levy) the amount determined under
 4 subdivision (1)) imposed in a county on real property for a
 5 stated assessment year; minus
 6 (B) the part of the total county tax levy described in clause
 7 (A) that is attributable to the taxes imposed on the part of
 8 the assessed value exceeding three hundred thousand
 9 dollars (\$300,000) of each taxpayer's homestead (as
 10 defined in IC 6-1.1-20.9-1).

11 (3) Twenty percent (20%) of the total county tax levy (less sixty
 12 percent (60%) of the levy for the general fund of a school
 13 corporation that is part of the total county tax levy) imposed in a
 14 county on tangible personal property, excluding business personal
 15 property, for an assessment year.

16 (k) "Business personal property" means tangible personal property
 17 (other than real property) that is being:
 18 (1) held for sale in the ordinary course of a trade or business; or
 19 (2) held, used, or consumed in connection with the production of
 20 income.

21 (l) "Taxpayer's property tax replacement credit amount" means the
 22 sum of the following:
 23 (1) Sixty percent (60%) of:
 24 (A) a taxpayer's tax liability in a calendar year for taxes
 25 imposed by a school corporation for its general fund for a
 26 stated assessment year; minus
 27 (B) the part of the total county tax levy described in clause
 28 (A) that is attributable to the taxes imposed on the part of
 29 the assessed value exceeding three hundred thousand
 30 dollars (\$300,000) of a taxpayer's homestead (as defined in
 31 IC 6-1.1-20.9-1).

32 (2) Twenty percent (20%) of:
 33 (A) a taxpayer's tax liability for a stated assessment year for a
 34 total county tax levy (less sixty percent (60%) of the levy for
 35 the general fund of a school corporation that is part of the total
 36 county tax levy) the amount determined under subdivision
 37 (1)) on real property; minus
 38 (B) the part of the total county tax levy described in clause
 39 (A) that is attributable to the taxes imposed on the part of
 40 the assessed value exceeding three hundred thousand
 41 dollars (\$300,000) of a taxpayer's homestead (as defined in
 42 IC 6-1.1-20.9-1).

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1 (3) Twenty percent (20%) of a taxpayer's tax liability for a stated
2 assessment year for a total county tax levy (less sixty percent
3 (60%) of the levy for the general fund of a school corporation that
4 is part of the total county tax levy) on tangible personal property
5 other than business personal property.

6 (m) "Tax liability" means tax liability as described in section 5 of
7 this chapter.

8 (n) "General school operating levy" means the ad valorem property
9 tax levy of a school corporation in a county for the school corporation's
10 general fund.

11 SECTION 3. IC 6-3.1-29 IS ADDED TO THE INDIANA CODE
12 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
13 JANUARY 1, 2004 (RETROACTIVE)]:

14 **Chapter 29. Income Tax Circuit Breaker Credit**

15 **Sec. 1. As used in this chapter:**

16 (1) "adjusted gross income tax liability" means an individual's
17 adjusted gross income tax liability under IC 6-3; and

18 (2) "homestead" has the meaning set forth in IC 6-1.1-20.9-1.

19 **Sec. 2. (a) Except as provided in subsection (b), an individual is**
20 **entitled to a credit under this chapter if the:**

21 (1) individual's adjusted gross income for the taxable year is
22 less than forty-seven thousand dollars (\$47,000); and

23 (2) the individual pays property taxes in the taxable year on
24 a homestead the individual:

25 (A) owns; or

26 (B) is buying under a contract that requires the individual
27 to pay property taxes on the homestead, if the contract or
28 a memorandum of the contract is recorded in the county
29 recorder's office.

30 (b) An individual is not entitled to a credit under this chapter
31 for a taxable year for property taxes paid on the individual's
32 homestead if the individual claims the deduction under
33 IC 6-3-1-3.5(a)(17) for the homestead for that same taxable year.

34 **Sec. 3. (a) An individual described in section 2 of this chapter is**
35 **entitled each year to a refundable credit against the individual's**
36 **adjusted gross income tax liability. The amount of the credit to**
37 **which a qualifying individual is entitled equals the lesser of:**

38 (1) the remainder (not less than zero (0)) of:

39 (A) the amount of property taxes the individual paid in the
40 taxable year on a homestead; minus

41 (B) the product of:

42 (i) the appropriate percentage from the table in

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1 subsection (b); multiplied by
 2 (ii) the qualifying individual's adjusted gross income for
 3 the taxable year; or

4 (2) three hundred seventy-five dollars (\$375).

5 (b) The percentage under subsection (a)(1)(B)(i) is the
 6 percentage from the following table that corresponds to the
 7 individual's adjusted gross income for the taxable year:

8 ADJUSTED GROSS INCOME	PERCENTAGE
9 Less than \$5,000	3.5%
10 At least \$5,000 but less than \$10,000	4%
11 At least \$10,000 but less than \$25,000	4.5%
12 At least \$25,000 but less than \$47,000	5%

13 (c) The amount of the credit under subsection (a) may not
 14 exceed the amount of property taxes the individual paid in the
 15 taxable year on the homestead.

16 (d) If the amount of the credit under this chapter exceeds the
 17 individual's adjusted gross income tax liability for the taxable year,
 18 the excess shall be refunded to the taxpayer.

19 **Sec. 4. To obtain the credit provided by this chapter, an
 20 individual must:**

21 (1) claim the credit in the manner prescribed by the
 22 department of state revenue; and

23 (2) file with the department of state revenue:

24 (A) information concerning the property taxes paid on the
 25 individual's homestead; and

26 (B) any other information required by the department.

27 **SECTION 4. [EFFECTIVE JULY 1, 2004] IC 6-1.1-20.9-2 and
 28 IC 6-1.1-21-2, both as amended by this act, apply only to property
 29 taxes first due and payable after December 31, 2004.**

30 **SECTION 5. [EFFECTIVE JANUARY 1, 2004 (RETROACTIVE)]
 31 IC 6-3.1-29, as added by this act, applies only to taxable years
 32 beginning after December 31, 2003.**

33 **SECTION 6. An emergency is declared for this act.**

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