
HOUSE BILL No. 1767

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-10-16; IC 6-1.1-36-7.

Synopsis: Property taxes. Extends the period during which certain property tax exemptions apply to a tract of land pending construction of a building to be used for exempt purposes. Allows the department of local government finance, with the approval of the attorney general and local officials, to compromise the amount of property taxes owed by certain educational, literary, scientific, religious, or charitable entities.

Effective: Upon passage.

Smith V

January 26, 2007, read first time and referred to Committee on Ways and Means.

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First Regular Session 115th General Assembly (2007)

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 2006 Regular Session of the General Assembly.

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HOUSE BILL No. 1767



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 6-1.1-10-16 IS AMENDED TO READ AS
- 2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 16. (a) All or part
- 3 of a building is exempt from property taxation if it is owned, occupied,
- 4 and used by a person for educational, literary, scientific, religious, or
- 5 charitable purposes.
- 6 (b) A building is exempt from property taxation if it is owned,
- 7 occupied, and used by a town, city, township, or county for educational,
- 8 literary, scientific, fraternal, or charitable purposes.
- 9 (c) A tract of land, including the campus and athletic grounds of an
- 10 educational institution, is exempt from property taxation if:
- 11 (1) a building that is exempt under subsection (a) or (b) is situated
- 12 on it;
- 13 (2) a parking lot or structure that serves a building referred to in
- 14 subdivision (1) is situated on it; or
- 15 (3) the tract:
- 16 (A) is owned by a nonprofit entity established for the purpose
- 17 of retaining and preserving land and water for their natural



- 1 characteristics;
- 2 (B) does not exceed five hundred (500) acres; and
- 3 (C) is not used by the nonprofit entity to make a profit.
- 4 (d) A tract of land is exempt from property taxation if:
 - 5 (1) it is purchased for the purpose of erecting a building that is to
 - 6 be owned, occupied, and used in such a manner that the building
 - 7 will be exempt under subsection (a) or (b); and
 - 8 (2) not more than ~~three~~ **(5)** years after the property is
 - 9 purchased, and for each year after the ~~three~~ **(5)** year
 - 10 period, the owner demonstrates substantial progress and active
 - 11 pursuit towards the erection of the intended building and use of
 - 12 the tract for the exempt purpose. To establish substantial progress
 - 13 and active pursuit under this subdivision, the owner must prove
 - 14 the existence of factors such as the following:
 - 15 (A) Organization of and activity by a building committee or
 - 16 other oversight group.
 - 17 (B) Completion and filing of building plans with the
 - 18 appropriate local government authority.
 - 19 (C) Cash reserves dedicated to the project of a sufficient
 - 20 amount to lead a reasonable individual to believe the actual
 - 21 construction can and will begin within ~~three~~ **(5)** years.
 - 22 (D) The breaking of ground and the beginning of actual
 - 23 construction.
 - 24 (E) Any other factor that would lead a reasonable individual to
 - 25 believe that construction of the building is an active plan and
 - 26 that the building is capable of being completed within ~~six~~ **(10)**
 - 27 **ten (10)** years considering the circumstances of the owner.
 - 28 (e) Personal property is exempt from property taxation if it is owned
 - 29 and used in such a manner that it would be exempt under subsection (a)
 - 30 or (b) if it were a building.
 - 31 (f) A hospital's property that is exempt from property taxation under
 - 32 subsection (a), (b), or (e) shall remain exempt from property taxation
 - 33 even if the property is used in part to furnish goods or services to
 - 34 another hospital whose property qualifies for exemption under this
 - 35 section.
 - 36 (g) Property owned by a shared hospital services organization that
 - 37 is exempt from federal income taxation under Section 501(c)(3) or
 - 38 501(e) of the Internal Revenue Code is exempt from property taxation
 - 39 if it is owned, occupied, and used exclusively to furnish goods or
 - 40 services to a hospital whose property is exempt from property taxation
 - 41 under subsection (a), (b), or (e).
 - 42 (h) This section does not exempt from property tax an office or a

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1 practice of a physician or group of physicians that is owned by a
2 hospital licensed under IC 16-21-1 or other property that is not
3 substantially related to or supportive of the inpatient facility of the
4 hospital unless the office, practice, or other property:

- 5 (1) provides or supports the provision of charity care (as defined
- 6 in IC 16-18-2-52.5), including providing funds or other financial
- 7 support for health care services for individuals who are indigent
- 8 (as defined in IC 16-18-2-52.5(b) and IC 16-18-2-52.5(c)); or
- 9 (2) provides or supports the provision of community benefits (as
- 10 defined in IC 16-21-9-1), including research, education, or
- 11 government sponsored indigent health care (as defined in
- 12 IC 16-21-9-2).

13 However, participation in the Medicaid or Medicare program alone
14 does not entitle an office, practice, or other property described in this
15 subsection to an exemption under this section.

16 (i) A tract of land or a tract of land plus all or part of a structure on
17 the land is exempt from property taxation if:

18 (1) the tract is acquired for the purpose of erecting, renovating, or
19 improving a single family residential structure that is to be given
20 away or sold:

- 21 (A) in a charitable manner;
- 22 (B) by a nonprofit organization; and
- 23 (C) to low income individuals who will:
 - 24 (i) use the land as a family residence; and
 - 25 (ii) not have an exemption for the land under this section;

26 (2) the tract does not exceed three (3) acres;

27 (3) the tract of land or the tract of land plus all or part of a
28 structure on the land is not used for profit while exempt under this
29 section; and

30 (4) not more than ~~three (3)~~ **five (5)** years after the property is
31 acquired for the purpose described in subdivision (1), and for
32 each year after the ~~three (3)~~ **five (5)** year period, the owner
33 demonstrates substantial progress and active pursuit towards the
34 erection, renovation, or improvement of the intended structure. To
35 establish substantial progress and active pursuit under this
36 subdivision, the owner must prove the existence of factors such
37 as the following:

- 38 (A) Organization of and activity by a building committee or
39 other oversight group.
- 40 (B) Completion and filing of building plans with the
41 appropriate local government authority.
- 42 (C) Cash reserves dedicated to the project of a sufficient

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1 amount to lead a reasonable individual to believe the actual
 2 construction can and will begin within ~~six (6)~~ **five (5)** years of
 3 the initial exemption received under this subsection.

4 (D) The breaking of ground and the beginning of actual
 5 construction.

6 (E) Any other factor that would lead a reasonable individual to
 7 believe that construction of the structure is an active plan and
 8 that the structure is capable of being:

9 (i) completed; and

10 (ii) transferred to a low income individual who does not
 11 receive an exemption under this section;

12 within ~~six (6)~~ **ten (10)** years considering the circumstances of
 13 the owner.

14 (j) An exemption under subsection (i) terminates when the property
 15 is conveyed by the nonprofit organization to another owner. When the
 16 property is conveyed to another owner, the nonprofit organization
 17 receiving the exemption must file a certified statement with the auditor
 18 of the county, notifying the auditor of the change not later than sixty
 19 (60) days after the date of the conveyance. The county auditor shall
 20 immediately forward a copy of the certified statement to the county
 21 assessor. A nonprofit organization that fails to file the statement
 22 required by this subsection is liable for the amount of property taxes
 23 due on the property conveyed if it were not for the exemption allowed
 24 under this chapter.

25 (k) If property is granted an exemption in any year under subsection
 26 (i) and the owner:

27 (1) ceases to be eligible for the exemption under subsection (i)(4);

28 (2) fails to transfer the tangible property within ~~six (6)~~ **ten (10)**
 29 years after the assessment date for which the exemption is initially
 30 granted; or

31 (3) transfers the tangible property to a person who:

32 (A) is not a low income individual; or

33 (B) does not use the transferred property as a residence for at
 34 least one (1) year after the property is transferred;

35 the person receiving the exemption shall notify the county recorder and
 36 the county auditor of the county in which the property is located not
 37 later than sixty (60) days after the event described in subdivision (1),
 38 (2), or (3) occurs. The county auditor shall immediately inform the
 39 county assessor of a notification received under this subsection.

40 (l) If subsection (k)(1), (k)(2), or (k)(3) applies, the owner shall pay,
 41 not later than the date that the next installment of property taxes is due,
 42 an amount equal to the sum of the following:

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1 (1) The total property taxes that, if it were not for the exemption
 2 under subsection (i), would have been levied on the property in
 3 each year in which an exemption was allowed.
 4 (2) Interest on the property taxes at the rate of ten percent (10%)
 5 per year.
 6 (m) The liability imposed by subsection (l) is a lien upon the
 7 property receiving the exemption under subsection (i). An amount
 8 collected under subsection (l) shall be collected as an excess levy. If
 9 the amount is not paid, it shall be collected in the same manner that
 10 delinquent taxes on real property are collected.
 11 (n) Property referred to in this section shall be assessed to the extent
 12 required under IC 6-1.1-11-9.
 13 SECTION 2. IC 6-1.1-36-7 IS AMENDED TO READ AS
 14 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. (a) The
 15 department of local government finance may cancel any property taxes
 16 assessed against real property owned by a county, township, city, or
 17 town if a petition requesting that the department cancel the taxes is
 18 submitted by the auditor, assessor, and treasurer of the county in which
 19 the real property is located.
 20 (b) The department of local government finance may cancel any
 21 property taxes assessed against real property owned by this state if a
 22 petition requesting that the department cancel the taxes is submitted by:
 23 (1) the governor; or
 24 (2) the chief administrative officer of the state agency which
 25 supervises the real property.
 26 However, if the petition is submitted by the chief administrative officer
 27 of a state agency, the governor must approve the petition.
 28 (c) The department of local government finance may compromise
 29 the amount of property taxes, together with any interest or penalties on
 30 those taxes, assessed against the fixed or distributable property owned
 31 by a bankrupt railroad, which is under the jurisdiction of:
 32 (1) a federal court under 11 U.S.C. 1163;
 33 (2) Chapter X of the Acts of Congress Relating to Bankruptcy (11
 34 U.S.C. 701-799); or
 35 (3) a comparable bankruptcy law.
 36 (d) After making a compromise under subsection (c) and after
 37 receiving payment of the compromised amount, the department of local
 38 government finance shall distribute to each county treasurer an amount
 39 equal to the product of:
 40 (1) the compromised amount; multiplied by
 41 (2) a fraction, the numerator of which is the total of the particular
 42 county's property tax levies against the railroad for the

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1 compromised years, and the denominator of which is the total of
2 all property tax levies against the railroad for the compromised
3 years.

4 (e) After making the distribution under subsection (d), the
5 department of local government finance shall direct the auditors of
6 each county to remove from the tax rolls the amount of all property
7 taxes assessed against the bankrupt railroad for the compromised years.

8 (f) The county auditor of each county receiving money under
9 subsection (d) shall allocate that money among the county's taxing
10 districts. The auditor shall allocate to each taxing district an amount
11 equal to the product of:

12 (1) the amount of money received by the county under subsection
13 (d); multiplied by

14 (2) a fraction, the numerator of which is the total of the taxing
15 district's property tax levies against the railroad for the
16 compromised years, and the denominator of which is the total of
17 all property tax levies against the railroad in that county for the
18 compromised years.

19 (g) The money allocated to each taxing district shall be apportioned
20 and distributed among the taxing units of that taxing district in the
21 same manner and at the same time that property taxes are apportioned
22 and distributed.

23 (h) The department of local government finance may, with the
24 approval of the attorney general, compromise the amount of property
25 taxes, together with any interest or penalties on those taxes, assessed
26 against property owned by a ~~person that has a case pending under state~~
27 ~~or federal bankruptcy law.~~ **an entity referred to in subsection (i).**
28 Property taxes that are compromised under this section shall be
29 distributed and allocated at the same time and in the same manner as
30 regularly collected property taxes. The department of local government
31 finance may compromise property taxes under this subsection only if:

32 (1) a petition is filed with the department of local government
33 finance that requests the compromise and that is signed and
34 approved by the assessor, auditor, and treasurer of each county,
35 and the assessor of each township, that is entitled to receive any
36 part of the compromised taxes;

37 (2) the compromise significantly advances the time of payment of
38 the taxes; and

39 (3) the compromise is in the best interest of the state and the
40 taxing units that are entitled to receive any part of the
41 compromised taxes.

42 **(i) Subject to subsection (j), subsection (h) applies to any of the**

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following:

(1) A person that has a case pending under state or federal bankruptcy law.

(2) A nonprofit corporation that is organized for educational, literary, scientific, religious, or charitable purposes.

(3) A local chapter of a corporation referred to in subdivision (2).

(4) A person associated with a national entity organized for the purposes referred to in subdivision (2).

(5) A church or church related entity regardless of the following:

(A) The denomination of the church.

(B) Whether the church is a nonprofit corporation.

(j) To qualify for a compromise of property taxes under subsection (h), a person, a corporation, a local chapter, a church, or an entity referred to in subsection (i) is not required to be exempt from federal income taxation under Section 501 of the Internal Revenue Code.

(k) A taxing unit that receives funds under this section is not required to include the funds in its budget estimate for any budget year which begins after the budget year in which it receives the funds.

(l) A county treasurer, with the consent of the county auditor and the county assessor, may compromise the amount of property taxes, interest, or penalties owed in a county by an entity that has a case pending under Title 11 of the United States Code (Bankruptcy Code) by accepting a single payment that must be at least seventy-five percent (75%) of the total amount owed in the county.

SECTION 3. [EFFECTIVE UPON PASSAGE] IC 6-1.1-10-16, as amended by this act, applies only to property taxes first due and payable after 2007.

SECTION 4. An emergency is declared for this act.

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