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FISCAL IMPACT STATEMENT

LS 6574

BILL NUMBER: HB 1165

NOTE PREPARED: Dec 27, 2012

BILL AMENDED:

SUBJECT: Installment contracts and property tax deductions.

FIRST AUTHOR: Rep. Pryor

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill consolidates duplicated provisions setting conditions for granting of deductions for property being sold under an installment contract into a single section. It provides that property subject to an installment contract does not qualify for a property tax deduction unless the installment contract is an enforceable contract. The bill requires that contracts for the sale of real property that are entered into after May 31, 2013, must specify the total contract price for the sale of the property.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* This bill would result in a fiscal impact only in a case where a current or future property purchase contract does not meet the requirements under this bill. If a contract does not meet these requirements, then the various property tax deductions currently granted to the property would be terminated. Without the deductions, the net assessed value of the property would increase which would add to the tax base and reduce tax rates. In addition, if the standard deduction is removed from a property, then taxes on the property would be capped at the 2% residential cap rate rather than the 1% homestead cap rate.

The higher property tax cap on the nonqualified property would potentially reduce revenue losses from the

circuit breaker for taxing units where the property is located. The reduced tax rates would also cause a further reduction in circuit breaker losses for civil taxing units and school corporations.

Background: Under current law, several property tax deductions are available to qualifying persons who either own property or are buying the property under contract. This bill would affect the mortgage, elderly, blind/disabled, disabled veteran, WWI veteran (and surviving spouse), rehabilitation, solar thermal, wind device, coal conversion, hydroelectric, coal combustion product, and homestead standard deductions.

In order to qualify for these deductions, this bill specifies that the contract for real property, a manufactured home, or mobile home must (1) be enforceable, (2) require the buyer to pay property taxes, (3) be recorded, and (4) for contracts entered into after May 31, 2013, specify the total contract price.

State Agencies Affected:

Local Agencies Affected: County auditors; County recorders; Local civil taxing units and school corporations.

Information Sources:

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