

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

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FISCAL IMPACT STATEMENT

LS 6810

BILL NUMBER: SB 325

NOTE PREPARED: Dec 26, 2022

BILL AMENDED:

SUBJECT: Homestead Standard Deduction.

FIRST AUTHOR: Sen. Buchanan

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill specifies the scope of residential property improvements that constitute a dwelling for purposes of the homestead standard deduction. It amends the statute of limitations for an appeal of a property tax assessment that is based on a change in statutory or administrative law, or a judicial interpretation that changes existing law, and which takes effect after February 22, 2022, to require the appeal be filed within a specified time similar to the time required for an error related to assessed value.

Effective Date: February 23, 2022 (retroactive); January 1, 2023 (retroactive).

Explanation of State Expenditures: *Department of Local Government Finance (DLGF):* This bill's provision would require the DLGF to issue updated guidance to local assessing officials regarding the guidance for which real property improvements should be assessed as a property owner's homestead dwelling. The provision is within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Additional Information: In October 2022, the DLGF issued updated guidance to assessing officials, regarding the outcome of the State Tax Court's ruling in *Marion County v. Schiffler*. In the memo, the DLGF instructed assessing officials that buildings on a property owner's one-acre homestead that are used as an extension of the individual's dwelling, such as carriage houses, detached garages, barns, and similar structures, should be included as property under the 1% property tax cap. Previous guidance has instructed assessing officials to exclude these improvements from the 1% homestead cap.

This bill's provision is essentially codifying the guidance that the DLGF had issued previously and that local assessing officials have followed for more than a decade, limiting the dwelling and the single garage as the

real property improvements that should be assessed as a property owner's 1% homestead.

Explanation of State Revenues:

Explanation of Local Expenditures: *Homestead Eligible Property:* Long term, this bill's provision should have limited impact on the operations of local assessing officials since the language is essentially codifying guidance that the DLGF has issued previously. For the January 1, 2023, assessment cycle, however, this bill's provision may result in an increase in the assessing officials' workload.

Based on the guidance issued by the DLGF in October 2022, local assessing officials are to start assessing additional real improvements as 1% homestead eligible property (whereas, previously, the improvements would have likely been assessed as 2% non-homestead residential). If this bill's provision was enacted in the spring of 2023, the local assessing officials may have to reevaluate homestead properties so that the previous guidance is applied to these properties. This process would need to occur before July 1, 2023, which is the deadline for county assessors to provide their January 1, 2023, real property assessments to the county auditors.

Appeals: This bill's provision should have limited impact on the operations of local assessing officials since it is including property assessment appeals that are based on changes in statutory or administrative - or the judicial interpretation of the law - under the same statute of limitations for the other property assessment appeals.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local Assessing Officials.

Information Sources: DLGF Homestead and 1% Tax Cap Case – *Marion County v. Schiffler* Memo: <https://www.in.gov/dlgf/files/2022-memos/221028-Wood-Memo-Homestead-and-1-Tax-Cap-Case-Supplement.pdf>

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