

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** County Auditors, Assessing Officials, & Property Tax Boards of Appeal

**FROM:** Wesley R. Bennett, Commissioner

**RE:** SEA 280 – Over 65 Deduction, Over 65 Circuit Breaker Credit, & Disabled Veteran Deduction

**DATE:** July 31, 2019

On June 21, 2019, the Department of Local Government Finance (“Department”) issued the Legislation Affecting Property Tax Deductions and Exemptions memorandum. Upon issuance of the guidance memorandum, additional questions, and points of clarification were forwarded to the Department. This updated memorandum is intended to provide additional information regarding the Over 65 Deduction, the Over 65 Circuit Breaker Credit, and the Disabled Veteran Deduction, as amended by Senate Enrolled Act 280.

## **I. OVER 65 DEDUCTION**

### *A. Adjusted Gross Income & Assessed Value Cap; Deduction Amount*

Beginning January 1, 2020, the adjusted gross income limitation for purposes of eligibility for the Over 65 Deduction will be increased as follows:

For the calendar year preceding by two (2) years the calendar year in which the property taxes are first due and payable:

- (1) Individuals who filed a single tax return may not have an adjusted gross income (as defined in Section 62 of the Internal Revenue Code) that exceeds \$30,000;
- (2) Individuals who filed a joint income tax return with their spouse may not have a combined adjusted gross income (as defined in Section 62 of the Internal Revenue Code) that exceeds \$40,000; and
- (3) Individuals who share ownership or are purchasing property under a contract as joint tenants or tenants in common may not have a combined adjusted gross income (as defined in Section 62 of the Internal Revenue Code) that exceeds \$40,000.

### **SECTION 1 (SEA 280) – IC 6-1.1-12-9**

The assessed value cap has also been increased from \$182,430 to \$200,000 for the Over 65 Deduction, and the Over 65 Deduction amount will now be the lessor of: (1) one-half of the assessed value of the property; or (2) \$14,000.

## *B. Annual Adjustment & Deduction Eligibility*

In determining the assessed value of the property for purposes of eligibility for the Over 65 Deduction, any increases in the assessed value based solely to an annual adjustment or trending under IC 6-1.1-4-4.5 are not to be considered. While assessed value increases due to annual adjustments will not be considered for purposes eligibility, assessed value increases based on physical inspections completed every four (4) years under cyclical the reassessment plan will be considered for purposes of determining eligibility for the Over 65 Deduction.

### *Questions Regarding the Over 65 Deduction*

- 1. When does the new max assessed valuation limitation of \$200,000 take effect? When does the new deduction amount of \$14,000 take effect? When do the new income limitations take effect?**

According to Section 5 of SEA 280, all changes to the Over 65 Deduction statute apply to assessment dates after December 31, 2019. In other words, the increased assessed valuation limitation, the new deduction amount, and the new income limitations will be applicable to 20 Pay 21. This also means that CNAV submissions to the Department should not include the increased Over 65 Deduction amount of \$14,000 until 2020.

- 2. What if my county has already submitted the Pay 2020 CNAV figures to the Department with the Over 65 Deduction amounts reflected as \$14,000?**

Any county that has already submitted their Pay 2020 CNAV figures with an Over 65 Deduction amount of \$14,000 should contact Gateway Support ([gateway@dlgf.IN.gov](mailto:gateway@dlgf.IN.gov)) to have their CNAV figures un-submitted. Upon submission of the request for 2020 CNAV figures to be un-submitted, the Department will work with the county and their tax and billing vendor to generate new CNAV files to be uploaded to Gateway. If a county has already submitted their Pay 2020 CNAV figures and is unsure as to whether Over 65 Deduction records contained in the CNAV files reflected the deduction amount of \$14,000, they should contact their tax and billing vendor to inquire about this item.

- 3. What happens if a parcel had an active Over 65 Deduction for 18 Pay 19, but the assessed value increased for 19 Pay 20 to an amount that was over \$182,430 and therefore ineligible for the Over 65 Deduction?**

Since the assessed value limitation does not increase to \$200,000 until 20 Pay 21, the Over 65 Deduction would be removed from the parcel for 19 Pay 20; however, the property owner would be able to reapply for the Over 65 Deduction for 20 Pay 21 if the value of their property does not exceed \$200,000.

## **II. OVER 65 CIRCUIT BREAKER CREDIT**

Beginning in 2020, anyone who first applies for the Over 65 Circuit Breaker Credit must have a total assessed value for all real property that is less than \$200,000. However, for any individual

who received the Over 65 Circuit Breaker Credit before January 1, 2020, the total assessed value limitation is only applicable to the homestead property. For these taxpayers, the assessed value limitation for homestead property has also been increased from \$160,000 to \$200,000.

For individuals initially applying for the Over 65 Circuit Breaker Credit after December 31, 2019, the following requirements must be met in order to qualify for the credit:

- (1) Individual received the Homestead Standard Deduction in the immediately preceding calendar year;
- (2) Individual qualifies for the Homestead Standard Deduction in the current calendar year;
- (3) Individual is or will be sixty-five (65) years of age on or before December 31 of the immediately preceding calendar year;
- (4) Individual had an adjusted gross income for the two (2) immediately preceding calendar years that does not exceed:
  - (a) \$40,000 for joint filers; or
  - (b) \$30,000 for single filers; and
- (5) The assessed value of all real property owned is less than \$200,000.

The disqualification of homestead property for individuals first applying for the Over 65 Circuit Breaker Credit after December 31, 2019, will be based on whether the assessed value of all real property owned by the individual meets or exceeds \$200,000.

***Questions Regarding the Over 65 Circuit Breaker Credit***

- 1. If the calculation for the Over 65 Circuit Breaker Credit wasn't changed under SEA 280, what are the potential scenarios for taxpayers that are currently receiving the credit and for taxpayers apply for the credit for the first time?**

		18 Pay 19	19 Pay 20	20 Pay 21
Taxpayer #1  <i>(First Applies for 19 Pay 20)</i>	Total AV of Homestead Property	\$60,980	\$61,080	\$61,180
	Homestead Property Tax Liability minus All Other Deductions and Credits from the AV	\$500	\$600	\$700
	Over 65 Circuit Breaker Credit	N/A	(\$90)	(\$179.80)
	Homestead Property Tax Liability after Application of Over 65 Circuit Breaker Credit	\$500	\$510	\$520.20
Taxpayer #2  <i>(First Applies for 20 Pay 21)</i>	Total AV of All Real Property	N/A	\$185,000	\$187,000
	Homestead Property Tax Liability minus All Other Deductions and Credits from the AV	N/A	\$2,000	\$2,200
	Over 65 Circuit Breaker Credit	N/A	N/A	(\$160)
	Homestead Property Tax Liability after Application of Over 65 Circuit Breaker Credit	N/A	\$2,000	\$2,040

Taxpayer #3  (First Applies for 20 Pay 21)	Total AV of All Real Property	N/A	\$200,000	\$201,000
	Homestead Property Tax Liability minus All Other Deductions and Credits from the AV	N/A	\$2,000	\$2,200
	Over 65 Circuit Breaker Credit	N/A	N/A	N/A
	Homestead Property Tax Liability after Application of Over 65 Circuit Breaker Credit	N/A	\$2,000	\$2,200

***Taxpayer #1***

- Maximum Property Tax Liability for 20 Pay 21 is limited to:  
 $\$510 \times 1.02 = \$520.20$
- Over 65 Circuit Breaker Credit Calculation:  
 $(20 \text{ Pay } 21) \text{ Tax Liability} - (20 \text{ Pay } 21) \text{ Maximum Property Tax Liability} = \text{Credit}$   
 $\$700 - \$520.20 = \$179.80 \text{ (Credit)}$

***Taxpayer #2***

- Maximum Property Tax Liability for 20 Pay 21 is limited to:  
 $\$2,000 \times 1.02 = \$2,040$
- Over 65 Circuit Breaker Credit Calculation:  
 $(20 \text{ Pay } 21) \text{ Tax Liability} - (20 \text{ Pay } 21) \text{ Maximum Property Tax Liability} = \text{Credit}$   
 $\$2,200 - \$2,040 = \$160 \text{ (Credit)}$

***Taxpayer #3***

- Ineligible to receive the Over 65 Circuit Breaker Credit because total assessed value of all real property owned is not less than \$200,000
- 2. The change for the assessed valuation limitation for the Over 65 Circuit Breaker Credit appears to apply to all real property for anyone that initially applies for the credit after December 31, 2019, but the portion of the statute that talks about eligibility for the credit still only refers to homestead property. How will we determine if an individual applying for the Over 65 Circuit Breaker Credit for the first time after December 31, 2019 qualifies if the assessed value limitation applies to all real property and not just homestead property?**

Although subsection (c) of the Over 65 Circuit Breaker Credit statute (IC 6-1.1-20.6-8.5) was not amended to reference the new distinction of homestead property and real property for purposes of the assessed value limitation, the disqualification of homestead property for individuals first applying for the Over 65 Circuit Breaker Credit will still be based on the assessed value limitations in subsection (b). In other words, for applicants applying for the Over 65 Circuit Breaker Credit for the first time after December 31, 2019, the “homestead” would be disqualified for purposes of the credit if all of the real property owned by the taxpayer has an assessed value that exceeds \$200,000.

- 3. If we have a parcel that had an active Over 65 Circuit Breaker Credit for 18 Pay 19 but the assessed value disqualified the parcel for the Over 65 Circuit Breaker Credit for 19 Pay 20, how do we handle the parcel for 20 Pay 21 when it becomes eligible for the Over 65 Circuit Breaker Credit with the increased assessed value limitation? Does the credit start all over? Or do we have to retroactively make corrections?**

If a parcel previously received the Over 65 Circuit Breaker Credit but subsequently became ineligible, the new assessed value limitation beginning in 20 Pay 21 will not require the county to retroactively apply the credit. Although HEA 1427 modified the filing requirements for the Homestead Deduction and specified that under certain situations the deduction must be reapplied retroactively, the changes to the Over 65 Circuit Breaker Credit statute would not require any corrective action for parcels that became ineligible for the credit prior to 20 Pay 21.

However, it would also be important to note that for a taxpayer that previously received the Over 65 Circuit Breaker Credit and subsequently became ineligible would not be considered an individual who “initially applies” for the credit; therefore, the increased assessed value limitation of \$200,000 would only apply to the taxpayer’s homestead property.

### **III. DISABLED VETERAN DEDUCTION**

#### *A. Surviving Spouse Eligibility*

Beginning with taxes dues in 2021, surviving spouses of service members killed while engaged in military duties will be entitled to the same deduction as disabled veterans. Under Section 2 of SEA 280, the service requirements for a surviving spouse’s eligibility to receive the Disabled Veteran Deduction will now include:

- (1) The surviving spouse owns or is buying property on the date that the deduction application is due; and
- (2) The individual’s spouse either:
  - (A) Met the following requirements at the time of death:
    - (i) served in the military or naval forces of the United State for at least 90 days;
    - (ii) received an honorable discharge;
    - (iii) either:
      - (a) had a total disability; or
      - (b) was at least 62 years old and had a disability of at least 10%; and
    - (iv) had a disability that was evidenced by:
      - (a) a pension certificated or an award of compensation issued by the United States Department of Veterans Affairs; or
      - (b) a certificate of eligibility issued by the Indiana Department of Veterans’ Affairs; or
  - (B) Was killed while engaged in military or naval duties.

SECTION 2 (SEA 280) – IC 6-1.1-12-14

Section 2 of SEA 280 is effective July 1, 2019.

#### *B. Assessed Value Cap, Deduction Amount & Annual Adjustments*

For the January 1, 2020 assessment date, the assessed value cap has been increased from \$175,000 to \$200,000. Additionally, the Disabled Veteran Deduction amount has been increased from \$12,480 to \$14,000.

Similar to the revisions for the Over 65 Deduction, any increases in the assessed value based solely to an annual adjustment or trending under IC 6-1.1-4-4.5 are not to be considered for purposes of determining eligibility for the Disabled Veteran Deduction. However, any assessed value increases based on physical inspections completed every four (4) years under the cyclical reassessment plan will be considered for purposes of determining eligibility for the Disabled Veteran Deduction.

### ***Questions Regarding the Disabled Veteran Deduction***

- 1. When does the new max assessed valuation limitation of \$200,000 take effect? When does the new deduction amount of \$14,000 take effect? When do the new income limitations take effect?**

According to Section 5 of SEA 280, all changes to the Disabled Veteran Deduction statute (IC 6-1.1-12-14; 15) apply to assessment dates after December 31, 2019. In other words, the increased assessed valuation limitation, the new deduction amount, and the new income limitations will be applicable to 20 Pay 21. This also means that CNAV submissions to the Department should not include the increased Disabled Veteran Deduction amount of \$14,000 until 2020.

- 2. What if my county has already submitted the Pay 2020 CNAV figures to the Department with the Disabled Veteran Deduction amounts reflected as \$14,000?**

Similar to the directive for the Over 65 Deduction, any county that has already submitted their Pay 2020 CNAV figures with a Disabled Veteran Deduction amount of \$14,000 should contact Gateway Support ([gateway@dlgf.IN.gov](mailto:gateway@dlgf.IN.gov)) to have their CNAV figures un-submitted. Upon submission of the request for 2020 CNAV figures to be un-submitted, the Department will work with the county and their tax and billing vendor to generate new CNAV files to be uploaded to Gateway. If a county has already submitted their Pay 2020 CNAV figures and is unsure as to whether Disabled Veteran Deduction records contained in the CNAV files reflected the deduction amount of \$14,000, they should contact their tax and billing vendor to inquire about this item.

### **Contact Information**

Questions may be directed to Emily Crisler, Deputy General Counsel, at (317) 234-8624 or [emcrisler@dlgf.in.gov](mailto:emcrisler@dlgf.in.gov).