



Department of Local Government Finance

CNAVs & Tax Abatements

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Disclaimer

- This presentation and other Department of Local Government Finance materials are not a substitute for the law. The following is not legal advice, just an informative presentation. The Indiana Code always governs.



Introductions



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Agenda

- Certified Net Assessed Value
 - Indiana Code References
 - What it is, and why it is important
 - Impacts to CNAV of:
 - TIF Increment
 - TIF AV Pass Through
 - Appeals/AV Withholding
 - CNAV Data
 - Statewide, By County, By Taxing District
 - Suggestions on avoiding errors
- Tax Abatements
 - Abatement Types
 - General Terms
 - Steps to Granting an Abatement
 - Step 1 – Establishing an ERA
 - Step 2 – Statement of Benefits Review
 - Step 3 – Establishing Abatement Schedule
 - Step 4 – Compliance Review



Certified Net Assessed Values (CNAV's)



CNAV – Indiana Code References

- Ind. Code § 6-1.1-17-1 generally outlines the process, deadlines, and the Department's authority to prescribe the submission format. Additionally, the process of including assessed values under appeal at the time of submission is outlined.
- Ind. Code § 6-1.1-17-8.5 discusses the process by which a county auditor may request additional AV withholding.



CNAV – What It Is, Why It’s Important

- The CNAV submission ultimately is the “tax base” for each taxing district in your county.
- Mathematically, it serves as the denominator in the tax rate calculation:
- $$\text{Tax Rate} = \frac{\text{Unit Certified Levy}}{(\text{Tax District Certified Net Assessed Value} / 100)}$$
- A great tool to combat against circuit breaker loss.



CNAV – What It Is, Why It’s Important

- Each component of the submission to DLGF serves an important purpose.
- CNAV 1 File – A listing of the taxing districts in your county;
 - Ensures the Department knows “the universe” from the start.
 - Immediately identifies new taxing districts, and the absence of taxing districts indicating they are no longer valid.
- CNAV 2 File – A listing of Fund/Taxing District relationships
 - Allows the application to ensure unique combinations.
 - Paired with parcel data in the TAXCNAV file, this drives the aggregation of AV for the tax base.



CNAV – What It Is, Why It’s Important

- Each component of the submission to DLGF serves an important purpose.
- TAXCNAV File – A parcel by parcel breakdown of assessed value:
 - Exported from the county tax & billing system.
 - Our first look at many of the same fields as the tax bill data set submitted in Abstract, but after the roll & balance of the new tax year.
- TAXADJ File – couples with the TAXCNAV file to arrive at the NAVs.
 - Contains, by parcel, a list of exemptions and deductions and their respective amounts.
 - Provides information regarding Annexation AV, Withholding AV, and TIF Pass-through AV.



CNAV – Impacts to CNAV - Overview

- Overall, CNAV can be generalized as “Gross AV less adjustments” where the vast majority of those adjustments are deductions and exemptions. However, three additional topics are worth covering when it comes to understanding the adjustments made to the gross AV that brings us to CNAV.
 - TIF Increment
 - TIF AV Passthrough
 - Property Tax Appeals & Optional AV Withholding



CNAV – Impacts to CNAV – TIF Increment

- Tax Increment Finance (TIF) Districts operate on the concept of “incremental” AV being utilized by the economic development entity for projects to spur economic development.
 - The AV that is considered increment AV for a TIF district is tracked in the county tax and billing system.
 - While it is reported through the CNAV submission process it is ultimately not included in the final CNAV used for tax rate calculations.



CNAV – Impacts to CNAV – TIF Passthrough

- However, there are occasions when an RDA/RDC determines that some amount of the AV increment in a particular district can be relinquished back to the underlying units.
 - This TIF AV Passthrough is not required. It can be for any amount of AV that is part of a TIF district's increment.
 - The TIF AV Passthrough is not persistent from year to year. The RDA/RDC must decide each year how much, if any, increment AV to passthrough back to the underlying units.
 - Passthrough is reported during CNAV submissions in the TAXADJ file and is included in the CNAV for purposes of tax rate calculation.



CNAV – Impact to CNAV – Appeals/Withholding

- Ind Code § 6-1.1-17-1 requires that property tax values under appeal at the time of CNAV submission should be excluded from the submission. This achieves two main objectives:
 - Eliminates the need to disposition appeals before the deadline.
 - Prevents underlying units from adopting a tax rate that is unachievable simply because of the result of appeals.
- The vast majority of counties do not see a significant amount of property under appeal in any given year. However, if a county auditor believes that the values should be included, IC 6-1.1-17-1(f) allows for the auditor to appeal to the Department to be allowed to do that. Please send those requests to Jamie Bolser with a justification.



CNAV – Impact to CNAV – Appeals/Withholding

- Ind Code § 6-1.1-17-0.5 allows counties to withhold up to 2% of the AV in any taxing district each year. This allows additional cushion if appeals are filed, or deductions are added that would otherwise impact the final values before tax bills are printed.
- Ind. Code § 6-1.1-17-8.5 allows for the county auditor to appeal to the Department for permission to withhold a higher amount. If you would like to request a higher withholding amount, please email Jamie Bolser with the taxing district numbers, the amount requested, and the justification for the request.



CNAV – Statewide Data

	Statewide CNAV	% Change
15p16	\$287.5 B	-
16p17	\$293.6 B	2.14%
17p18	\$300.6 B	2.38%
18p19	\$310.1 B	3.16%
19p20	\$322.8 B	4.09%
20p21	\$335.5 B	3.92%
21p22	\$353.7 B	5.44%
22p23	\$406.0 B	14.78%
23p24	\$430.1 B	5.94%

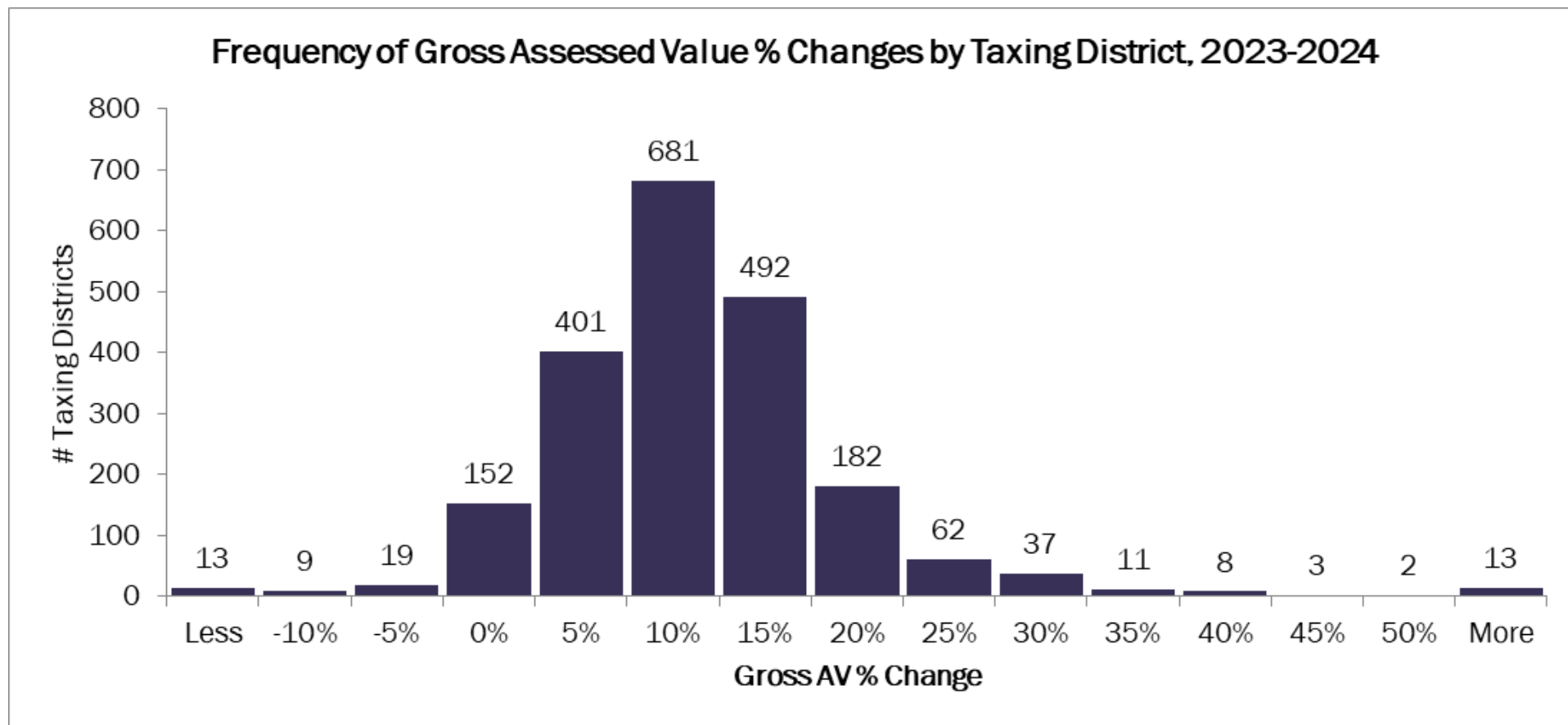


CNAV – Data by County

% Change		Number of Counties
	< 0%	5
>= 0.0%	< 1.0%	1
>= 1.0%	< 3.5%	17
>= 3.5%	< 6.0%	21
>= 6.0%	< 8.5%	19
>= 8.5%	< 11.0%	16
>= 11.0%	< 13.5%	9
>= 13.5%	< 16.0%	3
>= 16.0%	< 18.5%	1

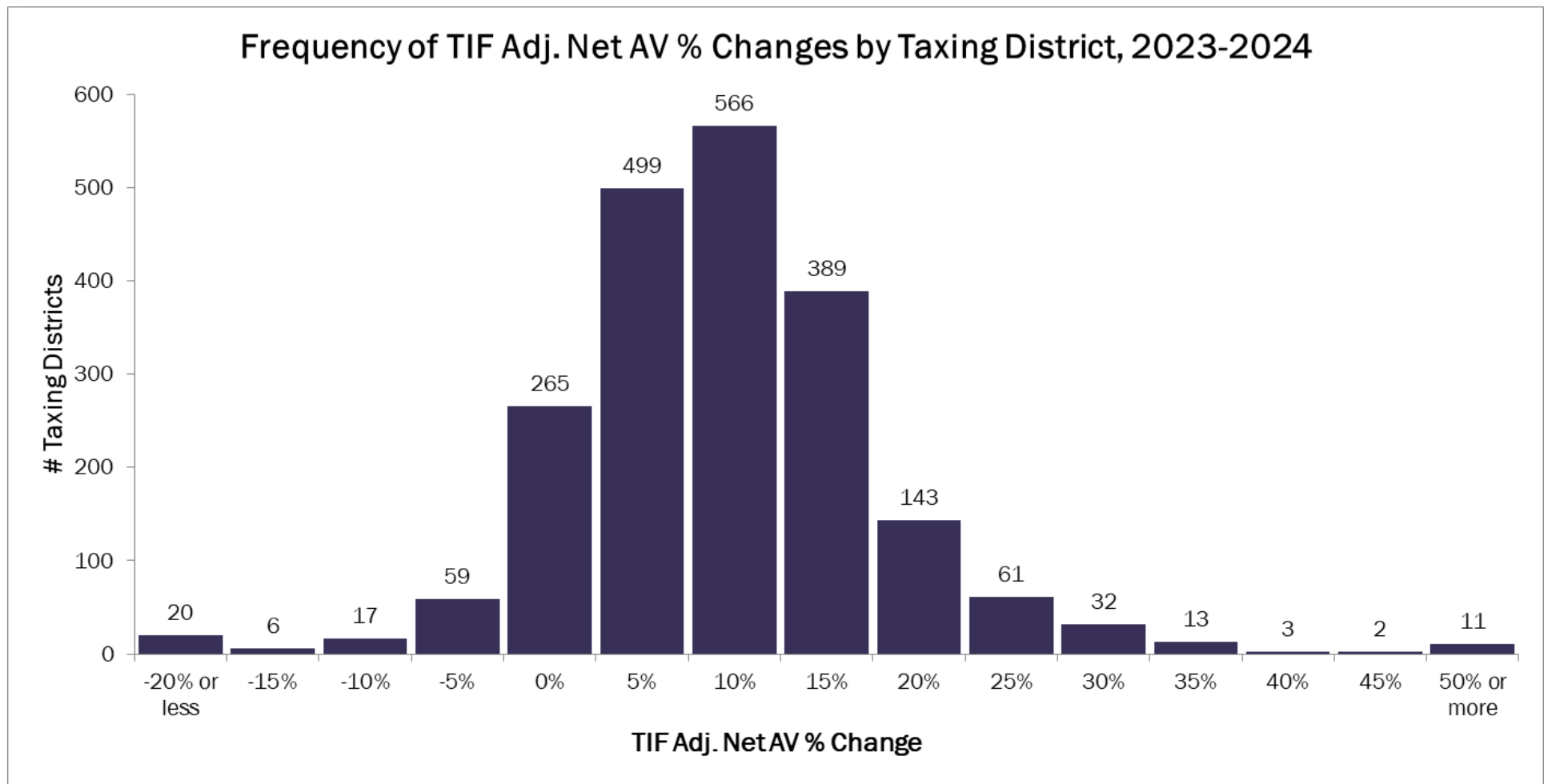


CNAV – Data by Taxing District





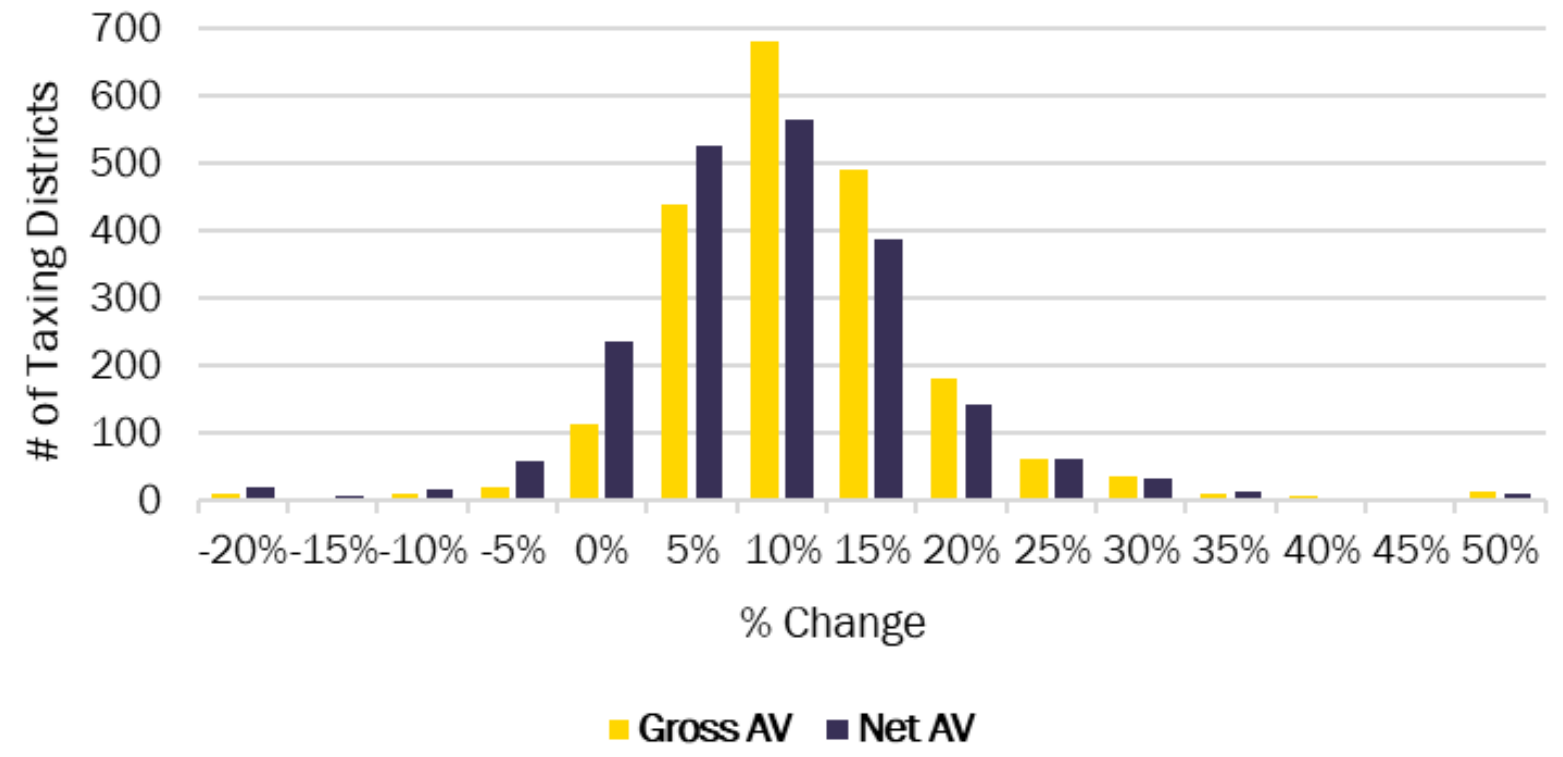
CNAV – Data by Taxing District





CNAV – Data by Taxing District

Comparison of Gross and TIF Adj. Net AV Percentage Change Frequencies by Taxing District, 2023-2024





CNAV – A Few Suggestions

- The Department has seen almost every imaginable issue with CNAV submission errors. A few simple steps on your part can save a lot of rework later in the process.
- Start early, submit early, give yourself a chance to catch oddities.
- Make sure you follow your checklists and have error checking built in.
- Make sure your values pass the smell test.
- Take advantage of your resources (FAs, vendors, peers, associations, BFRs).



Abatements



Abatement Types

Abatement

=

Property tax deduction from the AV granted by a designating body.

- Personal Property Abatement.
- Deduction granted for the installation of qualifying equipment in an economic revitalization area.
- Real Property Abatement.
- Deduction granted for the construction of a new structure or the rehabilitation of property in an economic revitalization area.



Abatement Types – Personal Property

- Manufacturing
 - Used in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible property.
- Research & Development
 - Laboratory equipment, computers and computer software, telecommunications equipment, or testing equipment.
- Information Technology
 - Equipment used for information processing, office automation, telecommunication facilities and networks, informatics, network administration, software development, and fiber optics.

Ind. Code § 6-1.1-12.1-1(3); (12); (16)



Abatement Types – Personal Property

- Logistical Distribution
 - Racking equipment, scanning or coding equipment, separators, conveyors, forklifts or lifting equipment, transitional moving equipment, packaging equipment, sorting and picking equipment, or software for technology used in logistical distribution.
- Farm Equipment
 - Equipment used in the direct production, extraction, harvesting, or processing of agricultural commodities for sale on land classified as agricultural land.

Ind. Code § 6-1.1-12.1-1(13); (14)



Abatement Types – Vacant Building

- Vacant Building Abatement - (Form 322/VBD)
- Deduction granted for the occupancy of an eligible vacant building used and zoned for Commercial or Industrial purposes in an economic revitalization area.
 - Building must have been unoccupied for at least one (1) year, and it does not include the assessed value of land.
 - Goal of abatement is to put a vacant building bank into use.

Ind. Code § 6-1.1-12.1-1(19)



Abatements – Designating Body

- “Designating Body”
- Defined to include:
 1. For all counties (except Marion County), the fiscal body of the county, city, or town.
 2. For Marion County, the metropolitan development commission.
 - The jurisdiction of the designating body in Marion County includes a rehabilitation or redevelopment project under this chapter that falls within the boundaries of an excluded city, as defined in IC 36-3-1-7.

Ind. Code § 6-1.1-12.1-1(7)



Steps to Granting an Abatement

- Step 1 – Establish an Economic Revitalization Area (ERA).
- Step 2 – Review and Evaluate Statement of Benefits form submitted by property owner during public meeting.
- Step 3 – Establish an abatement schedule.
- Step 4 – Deduction filing and review of annual Compliance with Statement of Benefits submission by property owner.



Step 1 – Establishing an ERA

- In order for qualifying property to receive an abatement, the property must be located in an ERA.
- The designating body can designate an ERA on its own volition or upon the application of a property owner seeking an abatement.
- An ERA is generally defined as an area that has become undesirable for normal development and occupancy because of a lack of development, cessation of growth, deterioration of improvements, and other factors that have impaired values of property.

Ind. Code § 6-1.1-12.1-1; 2



Step 1 – Establishing an ERA

- If the designating body decides to establish an ERA on its own, no Statement of Benefits (Form SB-1) is necessary for a preliminary determination; however, it will be required when finalizing an abatement.
- If a property owner submits a request to the designating body for an ERA designation, the property owner must file a Statement of Benefits form (Form SB-1) with the request.
 - The submitted Statement of Benefits form should be incorporated into the designation process.

Ind. Code § 6-1.1-12.1-2



Step 1 – Establishing an ERA

- If a designating body finds that an area in its jurisdiction is an economic revitalization area, the body prepare either of the following:
 1. Maps and plats identifying the area; or
 2. A simplified description of the boundaries of the area outlining its location in relation to public ways, streams, or otherwise.

Ind. Code § 6-1.1-12.1-2.5(a)



Step 1 – Establishing an ERA

- After the compilation of the materials outlining the geographic area, the designating body must pass a preliminary resolution declaring the area an economic revitalization area.
- The resolution must contain a description of the affected area, and it must be filed with the county assessor.
- The resolution may include the number of years an abatement is allowed for within the ERA.

Ind. Code § 6-1.1-12.1-2.5(b)



Step 1 – Establishing an ERA

- After adopting the preliminary resolution for the ERA, the designating body is required to publish notice of the adoption and the substance of the resolution in accordance with Ind. Code § 5-3-1 and schedule a public hearing to confirm, modify, or rescind the resolution.
- The designating body is also required to send the adopted resolution and information related to any potential abatements to affected local units at least 10 days before the public hearing.

Ind. Code § 6-1.1-12.1-2.5(c)



Step 1 – Establishing an ERA

- At the public hearing, the designating body's final step is to evaluate the evidence provided and determine whether the qualifications for an economic revitalization area have been met.
 - Final determination should be evidence by a resolution confirming, modifying, or rescinding the preliminary resolution.

Ind. Code § 6-1.1-12.1-2.5(c)



Step 1 – Establishing an ERA

- A designating body may impose a fee for filing a designation application for a person requesting the designation of a particular area as an economic revitalization area; however, the fee should only cover the actual processing and administrative costs.

Ind. Code § 6-1.1-12.1-2



Step 2 – Statement of Benefits Review

- A property owner with eligible property within an ERA seeking an abatement must provide a Statement of Benefits to the designating body.
 - Form SB-1 ([SF 51767](#)) – Real Property
 - Form SB-1/PP ([SF 51764](#)) – Personal Property
 - Form SB-1/VBD ([SF 55182](#)) – Vacant Building
 - Form SB-1/AG ([SF 57226](#)) – Farm Equipment
 - Form SB-1/UD ([SF 52446](#)) – Utility Distributable Property

Ind. Code § 6-1.1-12.1-3; 4.5; 4.8



Step 2 – Statement of Benefits Review

- For the various personal property equipment and farm equipment abatements, the Statement of Benefits form must include:
 1. Description of the equipment.
 2. Estimated number of individuals who will be employed or retained as a result of installing the equipment, and an estimate of the annual salaries of those individuals.
 3. Estimated equipment cost.
 4. If applicable, estimated amount of solid waste or hazardous waste that will be converted into energy with the new equipment.

Ind. Code § 6-1.1-12.1-4.5



Step 2 – Statement of Benefits Review

- For real property abatements, the Statement of Benefits form must include:
 1. Description of the proposed redevelopment or rehabilitation.
 2. Estimated number of individuals who will be employed or retained as a result of the redevelopment or rehabilitation, and an estimate of the annual salaries of those individuals.
 3. Estimated value of redevelopment or rehabilitation.

Ind. Code § 6-1.1-12.1-3



Step 2 – Statement of Benefits Review

- For vacant building abatements, the Statement of Benefits form must include:
 1. Description of the eligible vacant building that the property owner will occupy.
 2. Estimated number of individuals who will be employed or retained as a result of the occupation, and an estimate of the annual salaries of those individuals.
 3. Information regarding efforts of the previous owner to sell, lease, or rent building.
 4. Amount that the building was offered for sale, lease, or rent by the previous owner.

Ind. Code § 6-1.1-12.1-4.8



Step 2 – Statement of Benefits Review

- For all abatement types, the designating body may require the submission of additional information from property owners.
- The designating body's review should consider:
 1. Have the Statement of Benefits requirements been met?
 2. Are there any other benefits that can reasonably be expected?
 3. Is the totality of the benefits sufficient to justify the abatement?

Ind. Code § 6-1.1-12.1-3; 4.5; 4.8



Step 2 – Statement of Benefits Review

- The designating body may not approve an abatement unless it makes an affirmative finding for the questions on the previous slide.
- Generally, Page 2 of the various Statement of Benefits forms prescribed by the DLGF can be used to document the findings of the designating body and to outline the deduction approved for the abatement.

Ind. Code § 6-1.1-12.1-3; 4.5; 4.8



Step 2 – Statement of Benefits Review

- **Unauthorized Facilities**
- The following property types are prohibited from receiving a real property abatement:
 - Golf courses, country clubs, massage parlors, tennis clubs, skating facilities, racquet sport facilities, hot tub facilities, suntan facilities, and racetracks.
 - Unless it is located in an economic development target area, any facility with the primary purpose of retail food and beverage service, automobile sales or services, or other retail services.

Ind. Code § 6-1.1-12.1-3



Step 2 – Statement of Benefits Review

- **Unauthorized Facilities**
- The following property types are prohibited from receiving a real property abatement:
 - Residential facilities unless:
 1. It is a multifamily facility that contains at least 20% of the units to low- and moderate-income individuals;
 2. It is located in an economic development target area; or
 3. It is in an area designated as a residentially distressed area.

Ind. Code § 6-1.1-12.1-3



Step 3 – Establishing Abatement Schedule

- The designating body is required to establish an abatement schedule for each deduction allowed under Ind. Code § 6-1.1-12.1.
- For all abatement types – except for farm equipment – the abatement schedule may not exceed ten (10) years, unless the designating body has approved an enhanced abatement.
- For new farm equipment, the abatement schedule may not exceed five (5) years.
- Each abatement schedule must specify the percentage amount for each year of the deduction.

Ind. Code § 6-1.1-12.1-17



Step 3 – Establishing Abatement Schedule

- The abatement schedule percent amounts are based on the following factors:
 1. The total amount of the taxpayer's investment in real and personal property.
 2. The number of new fulltime equivalent jobs created.
 3. The average wage of the new employees compared to the state minimum wage.
 4. The infrastructure requirements for the taxpayer's investment.
 5. For farm equipment, the predominant use of area.

Ind. Code § 6-1.1-12.1-17



Step 3 – Establishing Abatement Schedule

SCHEDULE A - FOR USE BY THE COUNTY AUDITOR IF THE FORM SB-1/VBD WAS APPROVED AFTER JUNE 30, 2013				
YEAR OF DEDUCTION / ASSESSED VALUE / PERCENTAGE / DEDUCTION*				
(1) For deductions allowed over a one (1) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
(2) For deductions allowed over a two (2) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
(3) For deductions allowed over a three (3) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
3	20__	pay 20__	\$ _____	* _____ % \$ _____
(4) For deductions allowed over a four (4) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
3	20__	pay 20__	\$ _____	* _____ % \$ _____
4	20__	pay 20__	\$ _____	* _____ % \$ _____
(5) For deductions allowed over a five (5) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
(6) For deductions allowed over a six (6) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
3	20__	pay 20__	\$ _____	* _____ % \$ _____
4	20__	pay 20__	\$ _____	* _____ % \$ _____
5	20__	pay 20__	\$ _____	* _____ % \$ _____
6	20__	pay 20__	\$ _____	* _____ % \$ _____
(7) For deductions allowed over a seven (7) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
3	20__	pay 20__	\$ _____	* _____ % \$ _____
4	20__	pay 20__	\$ _____	* _____ % \$ _____
5	20__	pay 20__	\$ _____	* _____ % \$ _____
6	20__	pay 20__	\$ _____	* _____ % \$ _____
7	20__	pay 20__	\$ _____	* _____ % \$ _____
(8) For deductions allowed over a eight (8) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
3	20__	pay 20__	\$ _____	* _____ % \$ _____
4	20__	pay 20__	\$ _____	* _____ % \$ _____
5	20__	pay 20__	\$ _____	* _____ % \$ _____
6	20__	pay 20__	\$ _____	* _____ % \$ _____
7	20__	pay 20__	\$ _____	* _____ % \$ _____
8	20__	pay 20__	\$ _____	* _____ % \$ _____
(9) For deductions allowed over a nine (9) year period:				
1	20__	pay 20__	\$ _____	* _____ % \$ _____
2	20__	pay 20__	\$ _____	* _____ % \$ _____
3	20__	pay 20__	\$ _____	* _____ % \$ _____
4	20__	pay 20__	\$ _____	* _____ % \$ _____
5	20__	pay 20__	\$ _____	* _____ % \$ _____
6	20__	pay 20__	\$ _____	* _____ % \$ _____
7	20__	pay 20__	\$ _____	* _____ % \$ _____
8	20__	pay 20__	\$ _____	* _____ % \$ _____
9	20__	pay 20__	\$ _____	* _____ % \$ _____



Step 3 – Establishing Abatement Schedule

FOR USE BY THE DESIGNATING BODY

We have reviewed our prior actions relating to the designation of this economic revitalization area and find that the applicant meets the general standards adopted in the resolution previously approved by this body. Said resolution, passed under IC 6-1.1-12.1-2.5, provides for the following limitations as authorized under IC 6-1.1-12.1-2.

A. The designated area has been limited to a period of time not to exceed _____ calendar years* (see below). The date this designation expires is _____. *NOTE: This question addresses whether the resolution contains an expiration date for the designated area.*

B. The type of deduction that is allowed in the designated area is limited to:

1. Installation of New Manufacturing Equipment	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Enhanced Abatement per IC 6-1.1-12.1-18 <i>(Check box if an enhanced abatement was approved for one or more of these types.)</i>
2. Installation of New Research and Development Equipment	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
3. Installation of New Logistical Distribution Equipment	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
4. Installation of New Information Technology Equipment	<input type="checkbox"/> Yes	<input type="checkbox"/> No	

C. The amount of the deduction applicable to new manufacturing equipment is limited to \$_____ cost with an assessed value of \$_____. *(One or both lines may be filled out to establish a limit, if desired.)*

D. The amount of the deduction applicable to new research and development equipment is limited to \$_____ cost with an assessed value of \$_____. *(One or both lines may be filled out to establish a limit, if desired.)*

E. The amount of the deduction applicable to new logistical distribution equipment is limited to \$_____ cost with an assessed value of \$_____. *(One or both lines may be filled out to establish a limit, if desired.)*

F. The amount of the deduction applicable to new information technology equipment is limited to \$_____ cost with an assessed value of \$_____. *(One or both lines may be filled out to establish a limit, if desired.)*

G. Other Limitations or Conditions (specify) _____

H. The deduction for new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment installed and first claimed as eligible for the deduction is allowed for:

<input type="checkbox"/> Year 1	<input type="checkbox"/> Year 2	<input type="checkbox"/> Year 3	<input type="checkbox"/> Year 4	<input type="checkbox"/> Year 5	<input type="checkbox"/> Enhanced Abatement per IC 6-1.1-12.1-18 Number of Years Approved: _____ <i>(Enter 1-20 years; may not exceed 20 years)</i>
<input type="checkbox"/> Year 6	<input type="checkbox"/> Year 7	<input type="checkbox"/> Year 8	<input type="checkbox"/> Year 9	<input type="checkbox"/> Year 10	



Step 4 – Deduction Application & Compliance Review

- A person that desires to obtain the deduction must attach a certified deduction schedule Form 103-ERA ([SF 52503](#)) with a timely filed personal property return (Form 103-Long) and file it with the proper assessing official.
- For new farm equipment owners, the Form 102-ERA ([SF 57204](#)) should be attached to the timely filed Form 102 and filed with the proper assessing official.

Ind. Code § 6-1.1-12.1-5.4



Step 4 – Deduction Application & Compliance Review

- For the Real Property Vacant Building Deduction, property owners are required to submit Form 322/VBD ([SF 53179](#)) with the county auditor before May 10.
- For the Real Property Tax Abatement Deduction, property owners are required to submit Form 322/RE ([SF 18379](#)) with the county auditor before May 10.

Ind. Code § 6-1.1-12.1-5; 5.3



Step 4 – Deduction Application & Compliance Review

- For all abatement types, a Compliance with Statement of Benefits form must be filed with the designating body and the county or township assessor each year the abatement deduction is required.
 - Form CF-1/Real Property ([SF 51766](#))
 - Form CF-1/PP ([SF 51765](#))
 - Form CF-1/VBD ([SF 55183](#))
 - Form CF-1/UD ([SF 52448](#))

Ind. Code § 6-1.1-12.1-5.1; 5.3



Step 4 – Deduction Application & Compliance Review

- The Compliance with Statement of Benefits form must be filed between January 1 and May 15, or the approved extension date.
- Compliance information for multiple projects may be consolidated on one form, so long as it has been approved by the designating body.

Ind. Code § 6-1.1-12.1-5.1; 5.3



Step 4 – Deduction Application & Compliance Review

Non-Compliance

- If a property owner fails to submit the Compliance with Statement of Benefits or fails to make the required findings, the designating body may waive the non-compliance.
- If the designating body wishes to waive non-compliance, they must conduct a public hearing and then adopt a resolution confirming the waiver.

Ind. Code § 6-1.1-12.1-11.3



Questions?



Contact Us

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