

# Department of Local Government Finance

## Property Tax Caps / Circuit Breaker Credits

### FACT SHEET

April 2024



Beginning with 2010 tax bills, property owners have been entitled to a property tax cap or circuit breaker credit on the amount of property taxes over:

- 1% of Homestead Property;
- 2% of Residential Property;
- 2% of Long-Term Care Property;
- 2% of Agricultural Land;
- 3% of Nonresidential Property; and
- 3% of Personal Property.

It is important to understand that local property tax levies determine property tax rates in your area. Tax levies are collected by local government units, including counties, townships, cities and towns, school corporations, library districts, and other special districts that provide services. Property tax rate increases or decreases are a direct result of local levies.

The property tax caps ensure that a property owner does not pay more than a fixed percent of the property's gross assessed value, but the property tax caps do not change the local tax rate.

Independent of the property tax caps, a property's assessed value must still reflect the market value-in-use of that property. Assessed values are annually adjusted—increased or decreased—to reflect market value-in-use.

If the total tax liability for the property exceeds the property tax cap, the county auditor will provide a tax credit (circuit breaker credit) for the amount that exceeds the cap. For example, a homestead property has a gross assessed value of \$100,000. Under the 1% circuit breaker cap, the maximum tax liability that may be imposed on this property is \$1,000. Assume the tax liability on this property after the application of all other deductions and credits is \$2,100. Since this tax liability exceeds the maximum allowed under the caps, the county auditor will apply a circuit breaker credit of \$1,100 to reduce the tax liability to \$1,000.

For more information on the circuit breaker caps, contact your county auditor. A complete listing of auditor contact information can be found online at: <http://www.in.gov/dlgef/contact-your-local-officials/>.

Additional information regarding the property tax caps can be obtained online at: <https://www.in.gov/dlgef/understanding-your-tax-bill/tax-bill-101/>.

## DEFINITIONS

A **Homestead** is an individual's principal place of residence consisting of a dwelling, a garage, and up to one acre of immediately surrounding real estate. The following items can also be considered part of the Homestead property:

- (1) Any number of decks, patios, gazebos, and pools.
- (2) One additional residential yard structure other than a deck, patio, gazebo, or pool.
- (3) One additional building that is not part of the dwelling if the building is predominantly used for a residential purpose and is not used as an investment property or as a rental property.

A property must be receiving a Homestead Standard Deduction in order to receive the 1% cap.

**Real Property** is land, or a building or fixture situated on land.

**Residential Property** is property that is predominantly used for a residential purpose including:

- (1) A single-family dwelling that is not part of a homestead.
- (2) A building that includes two (2) or more dwelling units.
- (3) Any common areas shared by the dwelling units.
- (4) Land (even if more than 1 acre).
- (5) Beginning Pay 2025, residential yard structures.

# Frequently Asked Questions

## **Q. What do the property tax caps mean to taxpayers?**

- A. The property tax caps (circuit breaker credits) are aimed at helping Hoosiers by ensuring they do not pay more than a fixed percent of their property's gross assessed value in property taxes.

## **Q. My entire property is zoned residential. Why is part of the property capped at 1% and the other part capped at 2%?**

- A. The 1% property tax cap is reserved for homestead property only. A homestead is defined as a dwelling and up to one acre of immediately surrounding real estate plus up to any number of decks, patios, gazebos, and pools, one additional yard structure, and one additional building that is predominantly used for residential purposes. Any additional improvements or additional acreage beyond the one allocated to the homestead is considered residential property and will be capped at 2%. (see definitions on first page).

## **Q. Are the property tax caps permanent?**

- A. Yes, the property tax caps (circuit breaker credits) are part of the Indiana Constitution. During the 2008 Legislative Session of the Indiana General Assembly, legislators took the first step in making the circuit breaker caps permanent by passing Senate Joint Resolution (SJR) 1, which sought to add the property tax caps to Article 10, Section 1 of the Indiana Constitution. To change the state constitution, a separately elected General Assembly had to pass the resolution again. During the 2010 Legislative Session, the Senate Joint Resolution (SJR) 1 was passed for the second time. In November 2010, Hoosiers voted to make the caps part of the Indiana Constitution.

## **Q. On my tax statement, there is an adjustment to the circuit breaker cap maximum. What is this adjustment?**

- A. In most counties, the only exemptions from the property tax caps are for expenses related to capital projects or additional school operating or public safety funds that are approved by voters in a public referendum.

## **Residential Property (continued)**

The term includes a single-family dwelling that is under construction and the land, on which the dwelling will be located. The term does not include real property that consists of a commercial hotel, motel, inn, tourist camp, or tourist cabin.

**Common Areas** is any of the following:

- (1) Residential property improvements on real property with a building that includes two (2) or more dwelling units, a mobile home, or a manufactured home is located, including all roads, swimming pools, tennis courts, basketball courts, playgrounds, carports, garages, other parking areas, gazebos, decks, and patios.
- (2) The land and all appurtenances to the land used in connection with a building or structure described in subdivision (1), including land that is outside the footprint of the building.

**Long-Term Care Property** is:

- (1) Used for long-term care of an impaired individual; and
- (2) One of the following:
  - (A) A health facility;
  - (B) A housing with services establishment; or
  - (C) An independent living home.

**Nonresidential Real Property** is:

Real property that is not:

- (A) a homestead;
- (B) residential real property;
- (C) long-term care property; or
- (D) agricultural land.