

October 2009



2009-pay-2010 Deductions & Credits FACT SHEET

Facts

Property Tax Deductions & Credits:

Deductions provide property tax relief by reducing the taxable assessed value of a property by a fixed dollar amount. For example, a homestead is assessed at \$100,000. Rather than paying property taxes on the full \$100,000, the eligible homeowner will have \$45,000 (standard deduction) and \$19,250 (supplemental deduction) deducted from the value of the property. Therefore, the homeowner will pay taxes on \$35,750 in assessed valuation rather than \$100,000 assuming he or she has filed for the homestead deductions. The County Auditor multiplies the tax rate by the assessed value after all applicable deductions are subtracted from the property.

Credits provide property tax relief by reducing the net tax bill by a designated percentage or by preventing a tax bill from exceeding a certain percentage. For example, last year an individual's tax bill was \$500. He is eligible for the Over 65 Circuit Breaker Credit, which prevents his tax bill from increasing by more than 2% the following year. His current year's tax bill is \$550 before the application of the credit. He will receive a \$40 credit to reduce his current year's tax bill to the 2% increase. The County Auditor applies the credits after the calculation of gross tax liability to arrive at the amount the property owner will owe in taxes.

Available Deductions and Credits: Additional eligibility requirements may apply.	Application and Verification
Circuit Breaker Cap Credit: All property owners are entitled to a cap on any amount of property taxes over the following percentages of the gross assessed value for property taxes payable in 2010: 1 percent for homestead properties, 2 percent for residential, agricultural and long term care properties and 3 percent on non-residential and personal property.	In order to receive the 1 percent cap, the taxpayer must apply for and be eligible to receive the homestead deductions. A separate application is not required in order to receive the credit.
Homestead Standard Deduction: Applicable to a dwelling and up to one acre of immediately surrounding real estate, which serves as the individual's principal place of residence. Deduction equals the lesser of \$45,000 or 60% of the assessed value of the homestead.	Sales Disclosure Form 46021 or State Form 5473
Homestead Supplemental Deduction: An individual or entity entitled to the Standard Deduction will automatically receive the Supplemental Deduction. Deduction equals the sum of 35% of homestead assessed value less than \$600,000 and 25% of homestead assessed value more than \$600,000.	Sales Disclosure Form 46021 or State Form 5473
Additional State Homestead Credit: An individual or entity entitled to receive the Homestead Standard and Supplemental Deductions will automatically receive the Additional State Homestead Credit. \$80 million in Homestead Credits will be provided in 2010.	
Mortgage Deduction: Applicable to mortgaged real property or an installment financed mobile/manufactured home owned by an Indiana resident. Deduction equals the lesser of \$3,000, one-half the assessed value of the property or the balance of the mortgage or contract indebtedness as of March 1, 2009.	State Form 43709
Over 65 Deduction: Applicable to a qualified individual's property of residence not exceeding \$182,430 in assessed valuation. Individual must be at least 65 years of age on December 31, 2009 with a combined adjusted gross income not exceeding \$25,000. Maximum deduction amount is \$12,480 or one-half the assessed valuation of the property.	State Form 43708 and IRS Form 1040 for previous calendar year

Filing Requirements:

- With respect to real property, applications must be completed and dated on or before December 31, 2009 and filed on or before January 5, 2010.

- Deduction applications may be filed with the Auditor in the County where the property is located. Mortgage deduction applications may also be filed with the Recorder in the County where the property is located.

- On the date the application is filed, the individual must own the property or be buying the property under a contract, recorded in the County Recorder's office. Individuals entitled to occupy the property as a tenant stockholder of a cooperative housing corporation may also file for the homestead deduction.

Mobile/Manufactured Homes Not Assessed as Real Property:

- The sum of all deductions (except the Homestead Supplemental Deduction) provided to a mobile/manufactured home not assessed as real property may not exceed 50% of the assessed value of the home.

- All credits may be applied outside of this limitation.

- Deduction/credit applications must be filed during the 12 months before March 1, 2009.

Available Deductions and Credits Continued: Additional eligibility requirements may apply.	Application and Verification
Over 65 Circuit Breaker Credit: Applicable to a qualified individual's homestead property not exceeding \$160,000 in assessed valuation. Individual must be at least 65 years of age on December 31, 2009 with an individual adjusted gross income not exceeding \$30,000 or a combined adjusted gross income not exceeding \$40,000. Credit prevents tax liability from increasing by more than 2% each year.	State Form 43708 and IRS Form 1040 for previous calendar year
Blind / Disabled Deduction: Applicable to a blind or disabled individual's property of residence. Individual's taxable gross income may not exceed \$17,000. Maximum deduction amount is \$12,480. (Cannot be combined with Over 65 Deduction.)	State Form 43710 and Proof of Blindness or Disability
Disabled Veteran Deduction: Applicable to property not exceeding \$143,160 in assessed valuation and owned by an individual who received an honorable discharge after serving at least 90 days in the U.S. military or naval forces and who has either a total disability or is at least 62 years old with at least a 10% disability. Maximum deduction amount is \$12,480. (Cannot be combined with Over 65 Deduction.)	State Form 12662 and Proof of Eligibility
Veteran with Service Connected Disability Deduction: Applicable to property owned by an individual who received an honorable discharge after serving in the U.S. military or naval forces during any of its wars and who has a service connected disability of at least 10%. Maximum deduction amount is \$24,960. (Cannot be combined with Over 65 Deduction and Surviving Spouse of WWI Deduction.)	State Form 12662 and Proof of Eligibility
Veteran of World War I Deduction: Applicable to a qualified individual's principal place of residence not exceeding \$206,500 in assessed valuation. Maximum deduction amount is \$18,720. (Cannot be combined with Over 65 Deduction.)	State Form 12662 and Proof of Eligibility
Surviving Spouse of World War I Veteran Deduction: Applicable to property owned by the surviving spouse of an individual who served in the U.S. military or naval forces before November 12, 1918 and received an honorable discharge. Maximum deduction amount is \$18,720. (Cannot be combine with Over 65 Deduction and Veteran with Service Connected Disability Deduction.)	State Form 12662 and Proof of Eligibility
Solar Energy or Wind Deduction: Applicable to property with a solar energy heating/cooling system or wind power device. Deduction equals the assessed value of the system or device. (Cannot be combined with Over 65 Deduction.)	Sales Disclosure Form 46021 or State Form 18865
Geothermal or Hydroelectric Deduction: Applicable to property with a geothermal or hydroelectric power device. Deduction equals the assessed value of the device. (Cannot be combined with Over 65 Deduction.)	Sales Disclosure Form or State Form 18865 and IDEM Certification

How will my deductions be applied to my property?

The homestead standard deduction is always applied first, followed by the homestead supplemental deductions. The remaining deductions, which an individual is eligible to receive, may be applied in any order. For example, a homestead property (a dwelling and one acre of immediately surrounding real estate) is valued at \$100,000. The home owner has applied for the homestead, mortgage and blind/disabled deductions. These deductions would be applied as follows:

<i>Gross Assessed Value:</i>	<i>\$100,000</i>
<i>Homestead Standard Deduction</i>	<i>(\$45,000)</i>
	<i>\$55,000</i>
<i>Homestead Supplemental Deduction</i>	<i>(\$19,250)</i>
	<i>\$35,750</i>
<i>Mortgage Deduction</i>	<i>(\$3,000)</i>
<i>Blind/Disabled Deduction</i>	<i>(\$12,480)</i>
<i>Net Assessed Value</i>	<i>\$20,270</i>

The County Auditor multiplies the net assessed value by the tax rate. Any applicable credits would then be applied to arrive at amount of property taxes owed.

Trust Eligibility

The following may be received for property owned by the trust and occupied by an individual:

- Homestead Standard Deduction
- Homestead Supplemental Deduction
- Over 65 Deduction
- Over 65 Circuit Breaker Credit
- Blind/Disabled Deduction
- Veteran with Service Connected Disability Deduction
- Disabled Veteran Deduction
- Surviving Spouse of WWI Veteran Deduction
- World War I Veteran Deduction

The individual must otherwise qualify for the deduction/credit and have a beneficial interest in the trust or the right to occupy the property rent free under the terms of a qualified personal residence trust.

A trust, as a separate entity, is eligible to receive the mortgage deduction.

Corporation, Partnership, Limited Liability Company or Other Entity

These entities are eligible to receive the following assuming all eligibility requirements are met:

- Homestead Standard Deduction
- Homestead Supplemental Deduction
- Mortgage Deduction
- Over 65 Circuit Breaker Credit
- Solar Energy System Deduction
- Wind Power Device Deduction
- Hydroelectric Device Deduction
- Geothermal Device Deduction

Additional deductions and credits are available. For more information, or questions regarding eligibility, contact your County Auditor. A complete listing of contact information can be found online at: <http://www.in.gov/dlqf/2440.htm>.