

PROPERTY TAX DEDUCTIONS

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It is important for seniors to understand the mortgage property tax deduction that is available in Indiana. In order to claim this exemption there must be a recorded mortgage on the taxpayer's residential real estate that has an unpaid balance of at least \$3,000.00. However, although many seniors carry a mortgage on their real estate (many through home equity loans) in order to qualify for the mortgage deduction, this deduction usually never saves more than \$50.00-\$60.00 of property taxes each year. As a consequence, when one considers that they are paying interest on the mortgage loan and saving only \$50.00 or \$60.00 dollars a year on property taxes, it does not make sense to have a mortgage loan in order to claim the mortgage deduction.

The homestead property tax deduction usually saves about 1/2 of the property taxes that would otherwise be owed if the homestead deduction is not available. The State of Indiana is verifying the applicability of the homestead property deduction for Hoosier taxpayers. Each taxpayer will be sent a homestead verification form that is pink in color. This started in 2010, and if the form is not completed and returned in 2010, then another form will be sent in 2011, and if that form is not completed and returned, then another form will be sent in 2012 which will be the final notice. If the pink homestead verification form is not completed in one of those three years, then the homestead property tax deduction will be lost for the property.

It is important to understand that the homestead property tax deduction can only be claimed on the taxpayer's principal residence, and it is illegal to claim a homestead property tax deduction on more than one property. For example, many Hoosiers own second homes in Florida, and if a homestead deduction is claimed in the State of Florida and also claimed in the State of Indiana, then there may be tax

fraud involved. We understand that if Florida discovers that a taxpayer has claimed the Florida homestead deduction on property in Florida and also claimed a homestead property tax deduction in Indiana, then Florida can back-bill additional property taxes for the previous ten years, even though the taxpayer is a legal resident of the State of Florida. We understand that Indiana can back-bill three years worth of additional property taxes that would otherwise be owed if the homestead deduction was claimed on another property. As a consequence, be careful to claim this deduction on only one residence.

The homestead deduction generally saves 1/2 of property taxes that would otherwise be owed if the deduction was not claimed. Consequently, it is very important to apply for this deduction!

There is also a over 65 deduction that may be available for your residence. In order to claim that deduction there are limits on the assessed value of the real estate and the taxpayer cannot earn more than \$25,000.00 adjusted gross income as shown on the 2010 Federal 1040 Income Tax Return Form. This deduction can save significant property taxes. For example, a home that has an assessed value of \$150,000.00 in Columbus with a homestead deduction and an over 65 deduction would owe approximately \$1,397.00 of property taxes, but if the deduction is not claimed, then the tax bill increases to \$1,500.00. With a home that is assessed at \$100,000.00 the yearly property taxes in Columbus would be approximately \$896.00 with the homestead deduction, and if an over 65 deduction is available the tax bill would reduce to \$583.00. In order to claim this deduction all owners of the property must be over the age of 65. If the taxpayer adds children or others who are not at least 65 years of age as a co-owner of the real estate by way of gift or otherwise, then this will disqualify the taxpayer from receiving the over 65 exemption.

There is also the over 65 circuit breaker credit, and this credit is available even though there are multiple owners of the property some of whom are not aged 65 or over. If the taxpayer qualifies for this over 65 circuit breaker credit, then the property taxes cannot increase by more than a small percentage each year no matter how much the tax rate increases.

If you purchase property during the year, then you have until December 31 of that year to apply for property tax deductions for the property taxes payable the following year.

Property tax deductions are applied for through the County Auditor's Office in the county where the real estate is located.

Attached is a quick-reference chart of property tax deductions for 2011 property taxes payable in 2012 prepared by Catherine Greenlee, who is a Department Head in the Bartholomew County Auditor's Office. This is an excellent quick-reference chart that is up-to-date involving the various deductions.

Another excellent resource is the State of Indiana's website. To access this information the web address is www.in.gov/dlgf. Go to "Online Services" and click on "County Tax Bill Calculator," and the taxpayer can get an estimate of their property taxes with or without certain property tax deductions. You can also check to see if you are getting the homestead deduction on your property. The website also has various forms that apply to property tax deductions that can be downloaded from the website. It is an excellent resource for property tax information!