
Property Tax Abatements Boone County EDC

September 17, 2009

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What is Tax Abatement?

- Represents a “phasing in” of property taxes
- Reduces company’s tax liability on new improvements
- Phase in amounts are predetermined by statute and can be up to 10 years



Purpose of Tax Abatements

- Tax abatement is an economic development tool used by local governments
 - Used to attract private investment
 - Encourage job creation/retention and other benefits such as promote targeted types of businesses such as manufacturing, logistics, high technology, biomed, agribusiness, etc.
 - One of the most common incentives used in Indiana.
 - Over 85 counties have tax abatements



The Tax Abatement Program

- Phases to tax abatement process
 - Eligibility
 - Establish Economic Revitalization Area
 - Application and Evaluation
 - Post approval, project completion
 - Ongoing compliance



Eligibility (IC 6-1.1-12.1)

- New improvements, buildings and equipment
 - Manufacturing
 - Research & Development
 - Information Technology
 - Logistical Distribution
 - Residentially distressed areas
- Equipment cannot have been used by applicant in Indiana



Eligibility (cont'd)

- Real property abatements not allowed for:
 - Golf courses, country club, massage parlor, race-track, etc.
 - Facilities primary purposes is retail food & beverage service, automobile sales/service, other retail. (Some exceptions)
 - Generally residential facilities
 - Liquor stores



Establish Economic Revitalization Area

- Identify economic revitalization area (ERA)
- Prepare maps, plats or simplified description of geographic area
- Designating body prepares and adopts declaratory resolution establishing the ERA
- Publish notice of hearing and provide information to all overlapping taxing units
- Designating body holds public hearing and adopts confirmatory resolution



Application and Evaluation

- Applicant files Statement of Benefits which includes:
 - Estimated value of redevelopment or rehabilitation
 - Estimated number of employees to be retained or hired
 - Estimate of salaries and wages
 - Abatement length and type desired



Real Property

Tax Abatement Deductions Schedule

	1 YR.	2 YRS.	3 YRS.	4 YRS.	5 YRS.	6 YRS.	7 YRS.	8 YRS.	9 YRS.	10 YRS.
1 ST YR.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2 ND YR		50	66	75	80	85	85	88	88	95
3 RD YR			33	50	60	66	71	75	77	80
4 TH YR				25	40	50	57	63	66	65
5 TH YR					20	34	43	50	55	50
6 TH YR						17	29	38	44	40
7 TH YR							14	25	33	30
8 TH YR								13	22	20
9 TH YR									11	10
10 TH YR										5



Personal Property

Tax Abatement Deductions Schedule

	1 YR.	2 YRS.	3 YRS.	4 YRS.	5 YRS.	6 YRS.	7 YRS.	8 YRS.	9 YRS.	10 YRS.
1 ST YR.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2 ND YR		50	66	75	80	85	85	88	88	90
3 RD YR			33	50	60	66	71	75	77	80
4 TH YR				25	40	50	57	63	66	70
5 TH YR					20	34	43	50	55	60
6 TH YR						25	29	38	44	50
7 TH YR							14	25	33	40
8 TH YR								13	22	30
9 TH YR									11	20
10 TH YR										10



Application and Evaluation (cont'd)

- Designating body considers:
 - Do the cost values, employment numbers and salary estimates seem reasonable,
 - Do any other benefits about information requested seem reasonable,
 - Are the totality of benefits sufficient to justify deduction.
 - Also considers any local guidelines as well.
- If designating body makes all of the findings, they may approve the abatement.



Post Approval, Project Completion

- After approval is granted, taxpayer proceeds with rehabilitation or redevelopment
- Property is assessed and taxpayer is notified by the assessor of the valuation.
- The applicant has 30 days to file Form 322 with the auditor and DLGF to receive the abatement.



Ongoing Compliance

- Annual Filing
 - Taxpayer must file compliance form CF-1,
 - Within 60 days after end of year,
 - Outlines values, employment and salaries.
- Designating body reviews
 - Determines if taxpayer complies with Statement of Benefit commitments
 - If compliance does not occur because of unforeseen/uncontrollable events, entity can reduce or terminate abatement and perhaps repayment of abatement savings



How does tax abatement impact on other taxing units?

- Need good, open communication
- Growth in property tax levies are limited by statute
 - Limits the total dollars collected
 - General Funds, Debt Service Funds, etc.
 - Limits the maximum rate
 - Capital Projects Funds, etc.



How does tax abatement impact on other taxing units (cont'd)

- *If the increased assessed value from NEW assessed value would NOT occur “**BUT FOR**” the abatement incentives, then, it **CANNOT** be “**LOST**” to the other taxing units.*
- The abated (“phased-in”) increases in assessed value postpones the reduction in tax rates for funds with controlled levies and postpones increased revenues from funds with controlled rates.

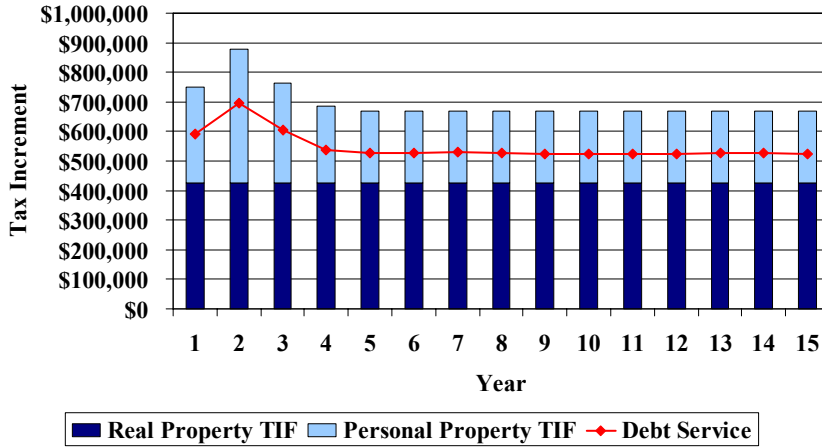


Can property tax abatements and Tax Increment be used together?

- *Yes. But, tax abatement reduces the level of tax increment revenues available for the repayment of the bonds, reducing the amount that can be borrowed.*

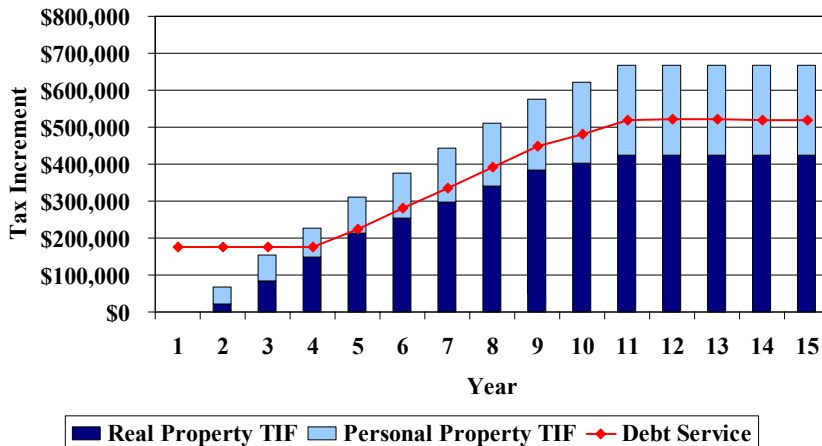


Assumes no Property Tax Abatement \$5,800,000 Bond Proceeds



Note: Assumes \$40 million real property investment and \$60 million personal property investment.

Assumes 10-year Property Tax Abatement \$3,500,000 Bond Proceeds



Note: Assumes \$40 million real property investment and \$60 million personal property investment.