

Deduction for Residences in Inventory

This Act enables builders to reduce property taxes for a limited time on a limited number of new single family residences, townhouses, or condominiums they build but haven't sold or rented.

Submitted as:

Indiana

[House Enrolled Act No. 1046](#)

Status: Enacted into law in 2011.

Suggested State Legislation

(Title, enacting clause, etc.)

1 Section 1. [*Short Title.*] This Act shall be cited as “An Act to Create a Deduction for
2 Residences in Inventory.”

3
4 Section 2. [*Definitions.*] As used in this Act:

5 (a) “Affiliated group” means any combination of the following:

6 (1) An affiliated group within the meaning provided in Section 1504 of the Internal
7 Revenue Code, except that the ownership percentage in Section 1504(a)(2) of the Internal Revenue
8 Code shall be determined using [fifty percent (50%) instead of eighty percent (80%)] or a
9 relationship described in Section 267(b)(11) of the Internal Revenue Code.

10 (2) [Two (2)] or more partnerships as defined in [insert citation], including limited
11 liability companies and limited liability partnerships, that have the same degree of mutual ownership
12 as an affiliated group described in subdivision (1), as determined under the rules adopted by the
13 [department of local government finance].

14 (b) “Residence in Inventory” means real property that is not a model residence as defined in
15 [insert citation] and consists of any of the following that has never been occupied: a single family
16 residence, a single family townhouse, or a single family condominium unit. The term does not
17 include any of the land on which the residence, townhouse, or condominium unit is located or real
18 property that is used by the owner as the owner’s regular office space. However, this subsection does
19 not prohibit the use of a garage or other space in the real property to store or display material used to
20 promote the real property or other similar properties or as a space for meetings with prospective
21 buyers or lessees.

22 (c) “Residential builder” means a person who builds single family residences, single family
23 townhouses, or single family condominium units, for sale in the ordinary course of the person’s trade
24 or business.

25
26 Section 3. [*Applicability.*] This Act applies to a residence in inventory that is first assessed as
27 a partially completed structure or a fully completed structure as of [insert date] or thereafter.

28
29 Section 4. [*Deductions for Residences in Inventory.*]

30 (a) A residential builder who is the owner of a residence in inventory is entitled to a
31 deduction from the assessed value of the residence in inventory in the amount of [fifty percent
32 (50%)] of the assessed value of the residence in inventory for the following:

33 (1) Not more than [one (1)] assessment date for which the residence in inventory is
34 assessed as a partially completed structure.

35 (2) The assessment date for which the residence in inventory is first assessed as a
36 fully completed structure.

37 (3) The [two (2)] assessment dates that immediately succeed the assessment date
38 referred to in subdivision (2).

39 (b) A [residential builder] is entitled to a deduction under this Act for not more than [three
40 (3)] residences in inventory in this state.

41 (c) A [residential builder] may not receive a deduction under this Act with respect to a
42 residence in inventory located in an [allocation area] as defined in [insert citation].

43 (d) A [residential builder] whose residence in inventory qualifies for a deduction under this
44 Act and for a deduction under another state law can not receive a deduction under both statutes for
45 that residence in inventory for the same year.

46 (e) A deduction for a residence in inventory under this Act does not apply for a particular
47 assessment date if the residence in inventory is leased for any purpose for any part of the calendar
48 year in which the assessment date occurs.

49 (f) If ownership of the residence in inventory changes to an owner who is also a residential
50 builder, that new owner may claim the residence in inventory deduction under this Act, but the
51 deduction may not be applied for an assessment date other than the assessment dates to which the
52 deduction could have applied if ownership had not changed.

53 (g) A [residential builder] who owns a residence in inventory and claims a deduction under
54 this Act shall provide to the county auditor a notice that informs the auditor of a transfer of the
55 ownership of the residence in inventory and indicates whether the new owner is eligible to receive a
56 deduction under this Act. The notice required by this subsection must be submitted to the county
57 auditor at the same time that a sales disclosure form is filed under [insert citation].

58 (h) A deduction allowed for a residence in inventory under this Act for a particular
59 assessment date is terminated if title to the residence in inventory is transferred after the assessment
60 date of that year but before [January 1 of the following year] and to a person for whom the real
61 property does not qualify as a residence in inventory. The county auditor shall immediately mail
62 notice of the termination to the former owner, the new owner, and the township assessor (or the
63 county assessor if there is no township assessor for the township). The county auditor shall remove
64 the deduction from the tax duplicate and shall notify the county treasurer of the termination of the
65 deduction.

66
67 Section 5. *[Qualifying Statement.]*

68 (a) A [residential builder] who seeks a deduction under this Act must file a statement
69 containing the information required by subsection (b) with the county auditor to claim the deduction
70 for each assessment date for which the residential builder wishes to receive the deduction. The
71 township assessor, or the county assessor if there is no township assessor for the township, shall
72 verify each statement filed under this section, and the county auditor shall make the deductions and
73 notify the county property tax assessment board of appeals of all deductions approved; under this
74 section.

75 (b) The statement referred to in subsection (a) must be verified under penalties for perjury
76 and must contain the following information:

77 (1) The assessed value of the real property for which the [residential builder] is
78 claiming the deduction.

79 (2) The full name and complete business address of the [residential builder] claiming
80 the deduction.

81 (3) The complete address and a brief description of the real property for which the
82 [residential builder] is claiming the deduction.

83 (4) The name of any other county in which the [residential builder] has applied for a
84 deduction under this Act for that assessment date.

85 (5) The complete address and a brief description of any other real property for which
86 the [residential builder] has applied for a deduction under this Act for that assessment date.

87 (6) An affirmation by the [residential builder] that the [residential builder] is
88 receiving not more than [three (3)] deductions under this Act, including any deduction being applied
89 for by the [residential builder] under this Act, either as a [residential builder] of a residence in
90 inventory or as an owner that is part of an affiliated group.

91 (7) An affirmation that the real property has not been leased and will not be leased for
92 any purpose during the term of the deduction.

93 (c) The auditor of a county (referred to in this section as the “first county”) with whom a
94 statement is filed shall immediately prepare and transmit a copy of the statement to the auditor of
95 any other county (referred to in this section as the “second county”) if the [residential builder] who
96 claims the deduction owns or is buying a residence in inventory located in the second county.

97 (d) The county auditor of the second county shall note on the copy of the statement whether
98 the [residential builder] has claimed a deduction for the current year under this Act for a residence in
99 inventory located in the second county. The county auditor shall then return the copy of the
100 statement to the auditor of the first county.

101
102 Section 6. [*Administrative Rules.*] The [department of local government finance] shall adopt
103 rules to implement this Act.

104
105 Section 7. [*Severability.*] [Insert severability clause.]
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107 Section 8. [*Repealer.*] [Insert repealer clause.]
108

109 Section 9. [*Effective Date.*] [Insert effective date.]