

# Bloomberg Tax

## Daily Tax Report: State

### Indiana House Doubles Personal Property Tax Exemption

By Alex Ebert

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- Exemption would be raised to \$40,000 from \$20,000
- More than 28,000 small businesses wouldn't have to file

A bill doubling the exemption threshold for Indiana's business personal property tax has cleared the Indiana House.

An additional 28,300 businesses would be exempt from paying the tax under S.B. 233. Under the bill, property tax would only kick in at \$40,000 in acquisition cost, not the current \$20,000 level.

The bill's proponents say it provides relief for small businesses, a compromise from the current level, and even larger cuts to the state's personal property taxes. But local governments warned this could be a slippery slope, and the removal of a \$50 fee for processing the exemption may lead to compliance headaches for some county auditors.

"This would help a lot of small businesses by avoiding paying a tax for items such as filing cabinets, computers, and law books," Rep. Mike Speedy (R) said during floor debate April 2.

"It's a light touch," Rep. Todd Huston (R) said before the 79-15 vote April 2. He added that the total savings to these taxpayers would be about \$4.1 million.

### **Compliance by Fees**

Manufacturers, the agriculture industry, and business groups, including the Indiana Chamber of Commerce and the Indiana chapter of the National Federation of Independent Business, supported the bill.

"The theory is that the burdens of compliance continue to outweigh the relatively nominal property tax benefits at this higher level of property cost, although I understand that local governments have opposed this exemption increase," Mark Richards, a partner in Ice Miller LLP's Indianapolis office, said in an April 2 email.

Split over the 28,300 filers, the estimated \$4.1 million in local revenue equates to an average tax bill of about \$145 per business. For the average business, this means they might be paying less in actual taxes than they're paying in fees and accountant costs to process the exemption, proponents say.

But local government groups expressed concern over problems the tweak may raise.

“We have some concerns that it’s the camel’s nose under the tent kind of scenario,” Matthew Greller, CEO of Aim, an advocacy group for Indiana municipalities, said April 2. “An erosion has to be replaced with another revenue source.”

In addition to raising the exemption, the bill would eliminate a \$50 fee that 12 Indiana counties charge businesses to process a property tax exemption.

That fee aids with compliance, the Association of Indiana Counties claims, because businesses in these 12 counties have a duty to file their exemptions. Now, they could choose to not file anything, leading to more questions from local auditors and the need for counties to spend more time ensuring taxes are paid correctly.

Gov. Eric Holcomb’s (R) office declined to comment on the bill other than to say it is “monitoring” the legislation.

A similar bill passed the Senate with a unanimous vote. The Senate must now concur, or the bill must be hashed out in a conference committee, before it can be sent to Holcomb.

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