

## **Make the Most of the Real Estate Tax Credits and Deductions**

If you haven't purchased, sold or refinanced your home in a few years, you may have forgotten about certain deductions that can lower your real estate taxes. The most common of these deductions are the homestead and the mortgage credit. Until recently, once an application for these credits was filed with the county auditor, there was no annual verification necessary unless there was a change in the status of the property. However, depending on your county of residence, every Indiana property owner has already or will receive a pink form entitled "Homestead Verification Form" from the County Auditor, asking for verification of the homestead credit and reminding the property owner of the value of the deduction.

### Why the New Pink Form?

Under Indiana law, every qualified resident is entitled to a deduction from the assessed value of his or her residence, which will lower the tax liability for that property. This deduction is applicable for residential real property, a mobile home or a manufactured home used by an individual as his or her primary residence. The individual must own the property or be purchasing the property under a recorded contract that makes the purchaser responsible for paying the property taxes on the residence. A trust can also qualify for this deduction as long as the individual living in the house is a beneficiary of the trust or has other rights to occupy the residence. This is commonly known as the "homestead credit."

The Indiana Department of Local Government Finance (the "DLGF"), which is responsible for ensuring property tax assessment and local government budgeting are carried out in compliance with Indiana law, has developed a new database to help county governments monitor homestead credit filings. Since each individual and married couple is limited to one homestead deduction, this database is designed to enhance enforcement of this restriction and prevent fraudulent filings for more than one homestead deduction. The DLGF now requires every individual claiming the homestead deduction to certify to its validity and to provide the last 5 digits of the person's social security number and the last 5 digits of the person's driver's license number (or State identification card if that person does not have a driver's license). These numbers are kept confidential in the DLGF's database and can only be accessed by authorized county officials. These pink forms are important – if an individual fails to fill out the pink form by January, 2013, the county auditor is authorized by state law to terminate the homestead deduction for the taxes assessed for the year 2012 and payable in 2013. Termination of a homestead deduction will generally result in a significantly larger tax liability, so everyone should take care to fill out this form and return it in accordance with its instructions.

There are other deductions available to a property owner which will lower the tax liability. The second most common deduction is the mortgage deduction. Any person with a valid, recorded mortgage in place against its real estate (or indebtedness under an installment contract) may file for this deduction. While this deduction can be applied to more than one mortgaged property, the deduction is limited each year to the lesser of (1) the balance of the indebtedness; (2) one-half (1/2) the assessed value of the property; or (3) \$3,000. Since this deduction is verified by cross-reference to the recording information of a mortgage or installment

contract, in the event of a refinance the property owner must re-file for this deduction, as the prior mortgage will be released and a new mortgage recorded.

Other deductions that are available, if applicable, include a deduction for persons over 65 years of age or their surviving spouse, deductions for blind or disabled persons, various deductions for veterans, deduction for rehabilitated residential property, deductions for solar energy heating or cooling systems, deductions for wind powered energy devices and deductions for geothermal energy heating or cooling systems. For more information on all of the available deductions, see Indiana Code 6-1.1-12 *et. seq.* or the DLGF's website at <http://www.in.gov/dlgf/>.

Given the ever rising cost of property taxes, it pays to be diligent, to review your tax assessment annually and to make sure your deductions are on file before December 31 of each tax year. Failure to file these deductions by the deadline will make the property ineligible for the deductions in the following tax year, and could significantly increase your real estate tax liability.

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