



## INDIANA BUILDERS ASSOCIATION

April 25, 2008

\* \* \* MEMORANDUM \* \* \*

To: IBA Members

From: Gretchen White, Government Affairs Director

Re: House Enrolled Act 1164: The Model Home Act

### **Background**

Sensing the property tax crisis in 2007 and faced with a softening housing market, IBA's board of directors passed a motion to pursue legislation in Indiana that would allow builders to exempt the property taxes on the structure of a model or speculative home until it is occupied. The Indiana General Assembly favorably responded to IBA's proposal aimed to provide an incentive to those who continue to put their product on the market through the building of a model or speculative home. The Model Home Act provides significant results to not only the home builders of Indiana, but to every associate and supplier whose livelihood depends on the residential construction industry and ultimately the homeowner who purchases a new home.

### **Provisions**

The Model Home Act provides a 50 percent property tax deduction on the structure of a model or speculative home built in Indiana. The deduction is allowed for an assessment date for which the residence is partially assessed and for the first three years for which the residence is fully assessed as long as the structure has never been used as a principal residence or used as the owner's principal office space. Property, such as garages, used to store or display promotional material or used to meet with prospective clients qualifies for the deduction.

The legislation provides that not more than three model residences in Indiana owned by the same owner or an affiliated group of owners may qualify for the deduction for an assessment date. After one residence becomes ineligible for the deduction, another model or speculative home initially assessed at a later date may take advantage of the deduction.

**Effective Date**

The law is prospective in nature so it impacts model or speculative homes assessed for the first time in 2009 and beyond. To claim the deduction, the owner must file a notice with the county auditor for each year he or she wishes to claim the deduction. The deduction ends after the earlier of three years or the home is sold or occupied.

The Indiana Department of Local Government Finance is responsible for adopting rules to implement the legislation and IBA will work with the Department throughout the rules process.

Visit <http://www.in.gov/legislative/bills/2008/HE/HE1164.1.html> or contact the IBA office to receive a printed copy by calling (800) 377-6334.