

## MIND ON MONEY

## Revisiting the property tax process

A subtle but notable change in how Indiana property taxes are calculated was enacted in the recent legislative session and enacted in June of 2022. The change will take effect in January and affect property tax bills starting in May of 2023.



MARC RUIZ

The law change caused me to revisit the property tax process in Indiana, which I have always found a bit confusing, to re-educate myself on this important cost center for the clients I serve. Educating myself involved reading some recent legislative language, looking at Porter County's official website and modeling some scenarios on an Indiana property tax calculator.

Property tax bills are of course public record, and I accessed mine on the Porter County assessor's website, which I found through the county's primary website. I found the assessor's site easy to use and full of valuable information. I decided to use my own tax bill as the basis for this conversation, as it

seemed as good a place to start as any. This conversation will apply completely to a discussion of a homeowner's primary residence, not second homes or business property.

The highest profile recent change, in my opinion, was the elimination of the mortgage deduction from the property tax process in Indiana. The mortgage deduction currently removes \$3,000 of assessed value from property taxation on any property with a mortgage over this amount. When modeling my own property taxes, the mortgage deduction reduced the property tax on my primary residence by \$48 a year. While \$48 is \$48 and no one likes to lose a tax deduction, I'm not going to call this life changing. So, anyone who was maintaining a mortgage or home equity line of credit balance solely to qualify for this \$48 savings can now just go ahead and eliminate the debt.

The good news is that while the state eliminated this deduction, it essentially added the benefit onto the homestead exemption for primary residences by \$3,000. So, while I may have lost the \$48 benefit on one side of the ledger, I'm getting it back

on another part of the bill, so for a primary home, we are all even.

The much more important property tax deductions in Indiana are the Homestead deduction and the Supplemental Homestead deduction. As mentioned, the Homestead exemption was \$45,000 or assessed value and has now been increased to \$48,000. In 2023 this exemption will save all taxpayers with their primary residence in my county and township \$762 a year, which is real money.

The big one, however, is the Supplemental Homestead deduction. This deduction is not a flat amount like the homestead deduction, but rather uses a graduated formula to determine the amount of the deduction. The formula is 35% of assessed value of the property after the standard deduction has been subtracted. For assessed values greater than \$600,000, a 35% deduction will be applied for the first \$600,000 of assessed value, while a 25% deduction will be applied to the remaining assessed value beyond \$600,000. Confusing, I know, but this one actually saves me \$2,536 a year on an assessed value of \$501,000. Now we are talking.

This huge tax benefit was enacted in 2008 at the same time as the Indiana property tax cap. From time to time, I hear local government grumbling about this deduction, so it's important to pay attention to what's going on in the statehouse to make sure we keep this important savings for Indiana families.

It's also important to remember that the homestead exemption and supplemental exemption must be applied for through the county auditor's office. The forms are available online in most counties, and I think I remember the form being included in real estate closings I have attended. For those who recently moved, however, don't take this one for granted, and double check with the county to make sure these valuable deductions are applied.

One last important change occurring in the 2022 session was some protections being added for the deductions related to homeowners over 65 and disabled veteran homeowners, being called a circuit breaker. Since these deductions are only available on properties valued up to a certain amount, the law change protected these home-

owners from increasing property values and increased the overall cap on eligible property values from \$200,000 to \$240,000. My estimates using the calculator is either of these deductions, which cannot be used together, reduces property taxes by about \$220. Taxpayers eligible for these savings will want to make sure the deductions are being applied, which is once again accomplished by applying through the county's auditors office. Forms are online and must be signed and filed by the year end before the deduction should be applied.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor. P. Marc Ruiz is a wealth advisor and partner with Oak Partners and registered representative of LPL Financial. Contact Marc at marc.ruiz@oakpartners.com. Securities offered through LPL Financial, member FINRA/SIPC.

## ESTATE PLANNING

## Transferring a home during one's lifetime

CHRISTOPHER YUGO  
Times Columnist

Q: My parents want to transfer their home to the children before they die. How would they do that and what are the pros and cons?

A: To transfer real estate to the children, your parents would utilize a deed. The deed could be a quit-claim or a warranty deed



CHRISTOPHER YUGO

Now having said that, the real question is should

depending on if they want to warrant title. However, it has been my experience that a quit-claim deed is usually enough.

your parents convey title during their lifetime. The answer to that isn't as simple. There may be some good reasons to make the transfer, but there may also be some really good reasons not to.

If your parents want to transfer title during their lifetime for some gifting or estate planning purposes, then it may be a good

idea. Also, if they intend to divest themselves of ownership for some other reason, i.e., Medicaid planning, it might also be a good idea. However, unless there is a really good reason to transfer title, I probably wouldn't recommend it.

Here are some of the cons to transferring title during their lifetime. First, and foremost, they won't own the property anymore. That means the new owners, the children, could do what they want with it including, but not limited to, mortgaging and selling it. They could even evict the parents from the home if they still intend to reside there. Yikes.

Also remember, once the children have an interest in the property, it could be subject to things like judgment liens in the event one of the children ends up on

the business end of a lawsuit. That means if one of them has a judgment entered against them, the judgment creditor could attach and foreclose their judgment lien and force the sale of the home.

Also, since the transfer would be a gift, the children will take the parent's tax basis. Think of it this way: if the parents bought the house for \$50,000 but now it's worth \$100,000, the kids could be facing a \$50,000 capital gain when they sell it. There is no step up in basis on a gift.

Admittedly, there are a few reasons that a person might want to transfer title during their lifetime but there are also a bunch of reasons that they might not want too.

What I suggest they do is sit down and talk with an attorney to come up with a game plan. There

may be better ways to accomplish their goals that don't involve giving up ownership.

Whatever their end game is, talk to an attorney before deciding. For a lot of folks, the home is the most valuable asset they own and they should make sure that they consider all of their options before transferring it.

Christopher W. Yugo is an attorney in Crown Point. Chris' Estate Planning Article appears online every Sunday at [www.nwi.com](http://www.nwi.com). Address questions to Chris in care of The Times, 601 W. 45th Ave., Munster, IN 46321 or to [Chrysyugolaw@gmail.com](mailto:Chrysyugolaw@gmail.com). Chris' information is meant to be general in nature. Specific legal, tax, or insurance questions should be referred to your attorney, accountant, or estate-planning specialist.



### La EPA emite Explicación de Diferencias Significativas Sitio Superfund USS Lead East Chicago, Indiana

La Agencia de Protección Ambiental de EE.UU. (U.S. EPA, por sus siglas en inglés) ha finalizado recientemente una explicación de diferencias significativas (ESD, por sus siglas en inglés) para la Zona 1 Modificada del sitio Superfund USS Lead. La Zona 1 Modificada incluye el antiguo complejo West Calumet Housing y Goodman Park. La EPA está emitiendo la ESD en respuesta al cambio en el uso futuro anticipado del suelo de la Zona 1 Modificada, de residencial a comercial/industrial. La ESD confirma que las condiciones establecidas en el registro de decisión (ROD, por sus siglas en inglés) enmendado en el año 2020, han sido cumplidas y que el remedio seleccionado para la Zona 1 Modificada en el sitio es de tipo comercial/industrial. La EPA ha determinado que el remedio de limpieza comercial/industrial—excavación y eliminación fuera del sitio de suelo contaminado con plomo o arsénico por encima de los estándares comercial/industrial—será protector de la salud humana y el medio ambiente.

La EPA solicitó comentarios públicos en una versión propuesta de este ESD entre el 4 de mayo y el 3 de junio de 2022. El resumen de las respuestas a los comentarios públicos está disponible en: <https://semsub.epa.gov/work/05/976935.pdf>.

La copia electrónica del ESD está disponible online en: [www.epa.gov/uss-lead-superfund-site](http://www.epa.gov/uss-lead-superfund-site). El ESD también se añadirá al Registro Administrativo del Sitio, el cual está disponible a revisión pública en las siguientes sucursales de la Biblioteca Pública de East Chicago:

East Chicago Public Library  
2401 East Columbus Drive  
East Chicago, IN 46312

East Chicago Public Library  
1008 West Chicago Avenue  
East Chicago, IN 46312

El Registro Administrativo, así como otros informes y documentos relevantes también están disponibles a revisión pública en la oficina de la Región 5 de la EPA, en la siguiente ubicación:

EPA Region 5 Records Center  
77 West Jackson Boulevard – 7<sup>th</sup> Floor  
Chicago, IL 60604

Horario: Lunes a Viernes: 8:00 am – 4:00 pm

Para cualquier pregunta relacionada con el ESD, por favor contacte:

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