

SENATE BILL No. 232

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-10.

Synopsis: Nonprofit hospitals. Eliminates the property tax exemption for property owned by an Indiana nonprofit corporation and used by that corporation in the operation of a hospital.

Effective: January 1, 2021.

Ruckelshaus

January 6, 2020, read first time and referred to Committee on Tax and Fiscal Policy.



Second Regular Session of the 121st General Assembly (2020)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2019 Regular Session of the General Assembly.

SENATE BILL No. 232

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-10-16, AS AMENDED BY P.L.85-2019,
- 2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 3 JANUARY 1, 2021]: Sec. 16. (a) **Except as provided in subsection**
- 4 **(q)**, all or part of a building is exempt from property taxation if it is
- 5 owned, occupied, and used by a person for educational, literary,
- 6 scientific, religious, or charitable purposes.
- 7 (b) A building is exempt from property taxation if it is owned,
- 8 occupied, and used by a town, city, township, or county for educational,
- 9 literary, scientific, fraternal, or charitable purposes.
- 10 (c) A tract of land, including the campus and athletic grounds of an
- 11 educational institution, is exempt from property taxation if:
- 12 (1) a building that is exempt under subsection (a) or (b) is situated
- 13 on it;
- 14 (2) a parking lot or structure that serves a building referred to in
- 15 subdivision (1) is situated on it; or
- 16 (3) the tract:
- 17 (A) is owned by a nonprofit entity established for the purpose



- 1 of retaining and preserving land and water for their natural
 2 characteristics;
 3 (B) does not exceed five hundred (500) acres; and
 4 (C) is not used by the nonprofit entity to make a profit.
- 5 (d) A tract of land is exempt from property taxation if:
 6 (1) it is purchased for the purpose of erecting a building that is to
 7 be owned, occupied, and used in such a manner that the building
 8 will be exempt under subsection (a) or (b); and
 9 (2) not more than four (4) years after the property is purchased,
 10 and for each year after the four (4) year period, the owner
 11 demonstrates substantial progress and active pursuit towards the
 12 erection of the intended building and use of the tract for the
 13 exempt purpose. To establish substantial progress and active
 14 pursuit under this subdivision, the owner must prove the existence
 15 of factors such as the following:
 16 (A) Organization of and activity by a building committee or
 17 other oversight group.
 18 (B) Completion and filing of building plans with the
 19 appropriate local government authority.
 20 (C) Cash reserves dedicated to the project of a sufficient
 21 amount to lead a reasonable individual to believe the actual
 22 construction can and will begin within four (4) years.
 23 (D) The breaking of ground and the beginning of actual
 24 construction.
 25 (E) Any other factor that would lead a reasonable individual to
 26 believe that construction of the building is an active plan and
 27 that the building is capable of being completed within eight (8)
 28 years considering the circumstances of the owner.
- 29 If the owner of the property sells, leases, or otherwise transfers a tract
 30 of land that is exempt under this subsection, the owner is liable for the
 31 property taxes that were not imposed upon the tract of land during the
 32 period beginning January 1 of the fourth year following the purchase
 33 of the property and ending on December 31 of the year of the sale,
 34 lease, or transfer. The county auditor of the county in which the tract
 35 of land is located may establish an installment plan for the repayment
 36 of taxes due under this subsection. The plan established by the county
 37 auditor may allow the repayment of the taxes over a period of years
 38 equal to the number of years for which property taxes must be repaid
 39 under this subsection.
- 40 (e) **Subject to subsection (q)**, personal property is exempt from
 41 property taxation if it is owned and used in such a manner that it would
 42 be exempt under subsection (a) or (b) if it were a building.



1 (f) **Subject to subsection (q)**, a hospital's property that is exempt
 2 from property taxation under subsection (a), (b), or (e) shall remain
 3 exempt from property taxation even if the property is used in part to
 4 furnish goods or services to another hospital whose property qualifies
 5 for exemption under this section.

6 (g) Property owned by a shared hospital services organization that
 7 is exempt from federal income taxation under Section 501(c)(3) or
 8 501(e) of the Internal Revenue Code is exempt from property taxation
 9 if it is owned, occupied, and used exclusively to furnish goods or
 10 services to a hospital whose property is exempt from property taxation
 11 under subsection (a), (b), or (e).

12 (h) This section does not exempt from property tax an office or a
 13 practice of a physician or group of physicians that is owned by a
 14 hospital licensed under IC 16-21-2 or other property that is not
 15 substantially related to or supportive of the inpatient facility of the
 16 hospital unless the office, practice, or other property:

- 17 (1) provides or supports the provision of charity care (as defined
 18 in IC 16-18-2-52.5), including providing funds or other financial
 19 support for health care services for individuals who are indigent
 20 (as defined in IC 16-18-2-52.5(b) and IC 16-18-2-52.5(c)); or
 21 (2) provides or supports the provision of community benefits (as
 22 defined in IC 16-21-9-1), including research, education, or
 23 government sponsored indigent health care (as defined in
 24 IC 16-21-9-2).

25 However, participation in the Medicaid or Medicare program alone
 26 does not entitle an office, practice, or other property described in this
 27 subsection to an exemption under this section.

28 (i) A tract of land or a tract of land plus all or part of a structure on
 29 the land is exempt from property taxation if:

- 30 (1) the tract is acquired for the purpose of erecting, renovating, or
 31 improving a single family residential structure that is to be given
 32 away or sold:
 33 (A) in a charitable manner;
 34 (B) by a nonprofit organization; and
 35 (C) to low income individuals who will:
 36 (i) use the land as a family residence; and
 37 (ii) not have an exemption for the land under this section;
 38 (2) the tract does not exceed three (3) acres; and
 39 (3) the tract of land or the tract of land plus all or part of a
 40 structure on the land is not used for profit while exempt under this
 41 section.

42 (j) An exemption under subsection (i) terminates when the property



1 is conveyed by the nonprofit organization to another owner.

2 (k) When property that is exempt in any year under subsection (i) is
 3 conveyed to another owner, the nonprofit organization receiving the
 4 exemption must file a certified statement with the auditor of the county,
 5 notifying the auditor of the change not later than sixty (60) days after
 6 the date of the conveyance. The county auditor shall immediately
 7 forward a copy of the certified statement to the county assessor. A
 8 nonprofit organization that fails to file the statement required by this
 9 subsection is liable for the amount of property taxes due on the
 10 property conveyed if it were not for the exemption allowed under this
 11 chapter.

12 (l) If property is granted an exemption in any year under subsection
 13 (i) and the owner:

14 (1) fails to transfer the tangible property within eight (8) years
 15 after the assessment date for which the exemption is initially
 16 granted; or

17 (2) transfers the tangible property to a person who:

18 (A) is not a low income individual; or

19 (B) does not use the transferred property as a residence for at
 20 least one (1) year after the property is transferred;

21 the person receiving the exemption shall notify the county recorder and
 22 the county auditor of the county in which the property is located not
 23 later than sixty (60) days after the event described in subdivision (1) or
 24 (2) occurs. The county auditor shall immediately inform the county
 25 assessor of a notification received under this subsection.

26 (m) If subsection (l)(1) or (l)(2) applies, the owner shall pay, not
 27 later than the date that the next installment of property taxes is due, an
 28 amount equal to the sum of the following:

29 (1) The total property taxes that, if it were not for the exemption
 30 under subsection (i), would have been levied on the property in
 31 each year in which an exemption was allowed.

32 (2) Interest on the property taxes at the rate of ten percent (10%)
 33 per year.

34 (n) The liability imposed by subsection (m) is a lien upon the
 35 property receiving the exemption under subsection (i). An amount
 36 collected under subsection (m) shall be collected as an excess levy. If
 37 the amount is not paid, it shall be collected in the same manner that
 38 delinquent taxes on real property are collected.

39 (o) Property referred to in this section shall be assessed to the extent
 40 required under IC 6-1.1-11-9.

41 (p) A for-profit provider of early childhood education services to
 42 children who are at least four (4) but less than six (6) years of age on



1 the annual assessment date may receive the exemption provided by this
 2 section for property used for educational purposes only if all the
 3 requirements of section 46 of this chapter are satisfied. A for-profit
 4 provider of early childhood education services that provides the
 5 services only to children younger than four (4) years of age may not
 6 receive the exemption provided by this section for property used for
 7 educational purposes.

8 **(q) Tangible property owned by a nonprofit corporation and**
 9 **used by that corporation in the operation of a hospital licensed**
 10 **under IC 16-21 is not exempt from property taxation under this**
 11 **section.**

12 SECTION 2. IC 6-1.1-10-18.5, AS AMENDED BY P.L.197-2011,
 13 SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 14 JANUARY 1, 2021]: Sec. 18.5. (a) This section does not exempt from
 15 property tax an office or a practice of a physician or group of
 16 physicians that is owned by a hospital licensed under IC 16-21-2 or
 17 other property that is not substantially related to or supportive of the
 18 inpatient facility of the hospital unless the office, practice, or other
 19 property:

20 (1) provides or supports the provision of charity care (as defined
 21 in IC 16-18-2-52.5), including funds or other financial support for
 22 health care services for individuals who are indigent (as defined
 23 in IC 16-18-2-52.5(b) and IC 16-18-2-52.5(c)); or

24 (2) provides or supports the provision of community benefits (as
 25 defined in IC 16-21-9-1), including research, education, or
 26 government sponsored indigent health care (as defined in
 27 IC 16-21-9-2).

28 However, participation in the Medicaid or Medicare program, alone,
 29 does not entitle an office, a practice, or other property described in this
 30 subsection to an exemption under this section.

31 (b) Tangible property is exempt from property taxation if it is:

32 (1) owned by an Indiana nonprofit corporation; and

33 (2) used by that corporation in the operation of a ~~hospital licensed~~
 34 ~~under IC 16-21~~, a health facility licensed under IC 16-28, ~~or~~ in the
 35 operation of a residential facility for the aged and licensed under
 36 IC 16-28, or in the operation of a Christian Science home or
 37 sanatorium.

38 (c) Property referred to in this section shall be assessed to the extent
 39 required under IC 6-1.1-11-9.

