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HB 1478 WOULD DEVASTATE AFFORDABLE HOUSING
APARTMENTS MUST BE INCLUDED IN TAX-RESTRUCTURING BILL

Indianapolis, IN (Monday, April 23, 2007) – The rental housing industry in Indiana cannot bear another tax shift as proposed in House Bill 1478. That is the message Indiana Apartment Association (IAA) members are trying to convey to the Ways and Means Conference Committee of the Indiana General Assembly. IAA testified this morning before the committee.

“Indiana is facing an increase in the number of commercial apartment foreclosures due to increased expenses in insurance and property taxes along with an inability to raise rents. This is compounded by severely low occupancy rates, stagnant income levels and slow job creation,” said Lynne Sullivan, executive director of the Indiana Apartment Association. “HB 1478 would negatively impact the rental housing market. Rental housing is unique in the scheme of property taxes and provides a viable means of housing equal to that of any other residential property.”

Rental properties provide an affordable means of housing for more than one-third of all Indiana citizens. The move from the old true tax value of assessment rules to the more market-oriented rules; tax restructuring provision enacted in 2002 to help mitigate the effects of the assessment changes; and changes in the business personal property assessments have had a devastating effect on taxes for rental properties.

Legislative Services Agency (LSA) data released in 2005 comparing tax payments from 2002-2003 showed that the net assessed value of non-homestead residential property, primarily rental property increased almost twice as much as homestead property, largely because this property did not receive the increased homestead deduction. Reassessment increased the gross assessed values of commercial apartments more than any other business property type. Since commercial apartments are not eligible for the homestead deductions or credits, the tax bill increase was larger than for residential property. According to LSA, non-homestead properties (rentals) and commercial apartments paid 76 percent of the increase in net taxes collected by the State from residential property.

Homestead properties (homeowners) represent 71.4 percent of the housing units in Indiana and paid 24 percent of the increase in net taxes collected by the State from residential property. For every new tax dollar collected from housing properties (homestead, non-homestead and commercial apartments) \$0.76 was paid by rentals and commercial apartments

“The rental housing industry must be considered in this tax-restructuring plan. If not, our industry will take another hit and those who least can afford it could find themselves homeless as foreclosures on those properties increase,” Sullivan said.

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