



TAX ABATEMENT

(REAL AND PERSONAL PROPERTY)

Property tax abatement in Indiana is authorized under Indiana Code 6-1. 1-12.1 in the form of deductions from assessed valuation. Any industrial property owner in a locally designated Economic Revitalization Area (ERA) or commercial owner in a special purpose district who makes improvements to the real property or installs new manufacturing equipment qualifies. Equipment must be new to the state of Indiana. Equipment not used in direct production, such as office equipment, does not qualify for abatement. *Please Note: The entire city limits of Michigan City is a designated ERA*

Real-Property Abatement Calculation

Real-Property abatement is a declining percentage of the increase in assessed value of the improvement. Abatement periods and percentages are determined by the local governing body.

Examples follow:

Real Property				Personal Property			
Year	Three Year Abatement	Six Year Abatement	Ten Year Abatement	Year	Three Year Abatement	Six Year Abatement	Ten Year Abatement
One	100%	100%	100%	One	100%	100%	100%
Two	66%	65%	95%	Two	66%	85%	90%
Three	33%	66%	80%	Three	33%	66%	80%
Four		50%	65%	Four		50%	70%
Five		34%	50%	Five		34%	60%
Six		17%	40%	Six		25%	50%
Seven			30%	Seven			40%
Eight			20%	Eight			30%
Nine			10%	Nine			20%
Ten			5%	Ten			10%

Personal-Property abatement is a declining percentage of the assessed value of the newly installed manufacturing equipment, based on one of two time periods and percentages as determined by the local governing body.

Property owners must apply for designation to the local governing body, usually the town board, city council, county council, or the metropolitan development commission having jurisdiction over the area.

Please see the reverse side for information on Tax Increment Financing





TAX INCREMENT FINANCING

TIF is a tool that uses future gains in tax revenue to finance current improvements that will create those gains. When a public project such as a road construction, or hazardous waste cleanup is carried out, there is often an increase in the value of surrounding real estate, and perhaps new investment (new or rehabilitated buildings, for example). This increased site value and investment generates increased tax revenues. The increased revenues are the “tax increment.” Tax Increment Financing dedicates increments within a certain defined district to finance debt issued to pay for the project. TIF is designed to channel funding toward improvements in distressed or underdeveloped areas where development might not otherwise occur. TIF creates a self-funding mechanism for “public” economic development projects that may otherwise be unaffordable to localities.

Currently, thousands of TIF districts operate nationwide in the US, from small and mid-sized cities.

Improvements

- Bridge Construction and Repair
- Curb and Sidewalk Work
- Environmental Remediation
- Landscaping
- Park Improvements
- Sewer Expansion and Repair
- Storm Drainage
- Street Construction and Expansion
- Street Lighting
- Traffic Control
- Water Supply

Public Infrastructure

- Demolition
- Land Aquisition
- Planning Costs
- Utilities

State enabling legislation gives local governments the authority to designate tax increment financing districts for 25 years, or enough time to pay back the bonds issued to fund the improvements. While project improvements vary, it is common to have a city government assuming the administrative role, making decisions about how and where the tool is applied.

**The MCEDC can assist in coordinating a customized plan specific to you.
Contact us for more information.**

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