

Property tax rates vary widely based on taxing district. There are currently nearly 2,000 taxing districts in Indiana. Tax rates for commercial and industrial real property are made up of a gross tax rate that is discounted. The gross tax rate for real property is discounted by a state school property tax replacement credit as well as a state property tax replacement credit. The gross tax rate for business tangible personal property is discounted by a state school general fund property tax replacement credit which varies by taxing district. The effective tax rate for real property is lower than the effective tax rate for business tangible personal property.

## Real Property Tax Calculation

Real property assessments, including land and buildings, are valued based on a market-value-in-use standard. In most cases market value in use for new construction should approximate construction cost. Real property tax for new construction can be estimated as:

$$\text{Cost} \times \text{Effective Tax Rate} = \text{Real Property Tax}$$

## Personal Property Tax Calculation

### Tangible Depreciable Personal Property

The assessed value for business depreciable personal property (i.e. machinery, equipment, and office furniture) is calculated by multiplying the federal tax cost by the appropriate true-tax-value percentage. There are four depreciation tables called “pools.” The proper “pool” is determined based on the federal tax life of the asset. For example, the assessed value of two-year-old property with a seven-year life for federal tax would be calculated as cost times 56 percent. Indiana imposes a 30 percent floor for valuation of business tangible depreciable property. The assessed value of all business tangible depreciable property cannot be less than 30 percent of its cost.

### Special Tools

Indiana regulation allows special valuation treatment for qualifying “special tools” which may include tools, dies, jigs, molds, patterns and gauges. Qualifying special tools are valued at 30 percent in year one and three percent thereafter. Special tools are not subject to the 30 percent valuation floor.

### Tangible Personal Property Not Placed in Service (CIP)

Business tangible depreciable personal property not placed in service as of March 1 is valued at 10 percent of cost.

### Inventory

The inventory tax was eliminated entirely for the March 1, 2006 (taxes payable in 2007) assessment date.