

**APPRAISAL MANAGEMENT RESEARCH COMPANY  
(AMRC)  
INDIANA PROPERTY TAX NEWSLETTER**

April 20, 2011

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***Important Economic Development Deductions – Enterprise Zones***

**by: Patrick J. Reardon  
President - Association of Indiana  
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There are various Indiana Economic Development Tax Deductions available. One that should not be overlooked is the Enterprise Zone Program.

The Enterprise Zone Program is designed to improve the quality of life for Enterprise Zone businesses and residents alike. This is accomplished through a holistic approach to community economic development. An Enterprise Zone is a specific geographic area within a city or town that is economically challenged; yet has a viable business core, opportunity for growth, sustainable neighborhoods, and viable community organizations.

Businesses that are located in the Enterprise Zone are eligible to receive tax credits for new investment, expansion or

reinvestments. Other eligible tax credits are the loan interest credit and employment expense credit.

The Investment Deduction allows for businesses in the Zone to receive tax credits for real and tangible personal property tax investments. After determining if your business is in the Zone appropriate forms must be filed by the annual deadlines. If the taxpayer is claiming a deduction for personal property, a copy of the current assessment year Business Tangible Personal Property Assessment return (FORM 102 or FORM 103) must be attached.

The following might qualify as a Real property investment: Purchase of Land; Purchase of Building; Rehabilitation of Existing Building; and Construction of a New Building.

The following might qualify as A Tangible Personal Property Investment: Retooling of Existing machinery; and Purchase of New Manufacturing or Production Equipment.

There are additional Enterprise Zone Tax Incentives for: Loan Interest Credit (A credit for interest income earned on loans to Enterprise Zone businesses or on loans for improvements to real property, including residential property); Employment Expense Credit (Employer income tax credit for the increase relating to wages paid to Enterprise Zone resident employees); and Employee Wage Credit (A tax deduction equal for employees who live and work in the same Enterprise Zone).

In addition to the original deduction claim forms, there are annual compliance filings required to qualify for the tax deductions. Numerous issues often need to be addressed, such as the proper calculation of the deductions and what prior years, if any, apply. Planning and care must be taken to insure the deductions are fully approved and continue for their maximum duration. It is advisable to work with an expert in this specialized area.

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***Tax Abatement(s) for Dummies  
(Actually the Only Dummies are People Who  
Don't Know About Abatements)***

**by: James A. O'Brien, CPA, Esq.  
O'Brien & Telloyan, PC**

Planning on purchasing new manufacturing equipment or expanding your facility? Thinking about rehabbing that old office or warehouse space in your business? Sick of paying more and more property taxes? Well, if you answered yes to any of these questions, then you should seriously consider learning about Indiana Property Tax Abatements.

Indiana law permits the use of various economic development tools to attract and retain business operations and local employment bases. One unique tool is a real and personal property tax abatement. In recent

years, the Indiana State legislature has expanded the opportunities to obtain tax abatements to residential construction and residential real estate. Many taxpayers are now eligible to obtain tax savings through this economic development tool, as well.

Very simply, to obtain a property tax abatement, an applicant needs to contact the appropriate designating body. This is the local legislative body for a town, city or municipality - usually the town or city council or the county council. Some municipalities have specific applications and forms to utilize and others merely request that the applicants submit the 'project' for consideration. The applicant must, however, make certain that its application meets the Indiana Statutory guidelines.

In order to obtain the abatement savings, the applicant then presents, after complying with a series of unique state laws / rules, the project for two rounds of approval by the designating body. First, the designating body must approve the geographic area of the project as an economic revitalization area. Then the project must separately be confirmed / approved by the same designating body. The public has an opportunity to comment and to remonstrate at both rounds of approval.

Once a taxpayer has progressed to this point, the taxpayer may initiate its project. It is also possible, although difficult, to obtain the abatement designations after the project has begun. However, since the process of convincing the local assessing officials of the merit of the project involves new investment, a taxpayer who has already begun the investment process has little leverage to move the project to a more tax-friendly location.

Upon completion of the project and / or the subsequent assessment date(s), the taxpayer must prepare and file a series of abatement deduction claims and compliance forms. These filings permit the assessing officials to review the project to ascertain whether the applicant / taxpayer has performed as promised. If so, tax

savings will result. If not, the abatement deduction may be denied.

Note that, just like heart by-pass surgery, flying jumbo jets, and fighting terrorism, this process sounds simpler than it is. While this overview should serve as a good tool to identify potential tax abatement opportunities, a taxpayer should consult with a qualified property tax professional to fully appreciate the benefits of Indiana Property Tax Abatements.

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**Cash Flow and Cost Segregation**

**by: Barb Wiggins  
Griffin Valuation Group**

If you won the lottery, you would be given the choice of waiting 20 years for your winnings, or you could receive a lump sum payment. However, if you decide to receive your money more quickly, the payment would be discounted to today’s dollars. Would you believe it if I told you that the federal government offers a slightly better deal?

When a taxpayer builds or purchases a building, the IRS allows the investment to be deducted from taxable income in equal amounts over 39 years. However, a cost segregation analysis allows the taxpayer to take portions of this investment and receive the benefit now, or in a much shorter time period, say 5, 6 or 15 years. And there is no IRS requirement to discount the tax deduction when it is taken sooner instead of later.

Your property may be a candidate for a cost segregation study if it was purchased or built in the last 10 years, and the property will be held for at least 3 years. An estimate of the potential benefit can be provided by a simple review of the fixed asset detail that shows the current federal tax costs and federal tax lives.

If you have only a few lump sum assets on your asset listing for your building costs, this is one indicator that you are missing out on accelerated depreciation. Typically, the greater the detail-the greater the benefit. Costs for specific components of the building can be segregated to shorter tax lives: such as built-in cabinets, some floor and wall coverings, and specialty components.

During the cost segregation analysis, we can estimate and price out specific components for federal tax depreciation purposes. The end result is that you have the supporting documentation needed to increase your current year tax deduction from accelerated depreciation. And by lowering your federal tax due, you increase your current year cash flow.

The typical cost-benefit ratio from a cost segregation analysis is 1 to 10 or more. This benefit is based on the value of taking the tax deductions now, so you have more money to invest in other projects now. It is an immediate and easy way to increase cash flow.

If you are interested in a cost segregation benefit analysis, contact us for an immediate review, and to schedule a site inspection.

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<p><b>A SPECIAL THANKS FROM OUR INDIANA PROPERTY TAX TEAM</b></p> <p><b>AMRC CERTIFIED INDIANA TAX REPRESENTATIVES:</b>  <b>DAVID G. COOK</b>  <b>MICHAEL L. WHITE</b>  <b>KIMBERLY A. SPOOR</b></p> <p><b>JAMES A. O'BRIEN, CPA, ESQ.</b>  <b>O'BRIEN &amp; TELLOYAN, PC</b></p> <p><b>PATRICK J. REARDON</b>  <b>PRESIDENT INDIANA ASSOCIATION OF URBAN ENTERPRISE ZONES</b></p> <p><b>BARB WIGGINS</b>  <b>GRIFFIN VALUATION GROUP</b></p>
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