

Tax Abatement – What You Need To Know

Upon hearing the words tax abatement, many people immediately think government giveaway or corporate welfare. In reality, tax abatement is an economic development tool designed to encourage new capital investment. It encourages investment by allowing a company to phase-in its property tax bill over a finite period of time.

The property tax deduction is 100% in the first year and declines by specific percentages every year thereafter. Authorized for no more than ten years, it is a flexible tool used by local governments to spur development. It serves as an incentive to not only locate new facilities and equipment in Indiana, but to reinvest in existing facilities and equipment. While a community receives a smaller percentage of tax revenue during the abatement period, without this incentive the company may not make the investment at all. Some refer to this as the “apple pie” theory – smaller pieces of the pie over a period of time or none at all.

You Have Questions/We Have Answers

Does tax abatement shift the tax burden from business to residential taxpayers?

No. New capital investment adds assessed value to a community. As total assessed value increases, the tax rate decreases for all taxpayers.

What is a Statement of Benefits?

The company receiving the tax abatement files the statement of benefits. It is a description of the project including the capital investment being made and the number of jobs being created or retained.

What kind of property can be abated?

Examples include real property, personal property, and research and development equipment.

When tax abatement is awarded are 100% of the property taxes forgiven?

No. Over the life of the abatement, the company ends up paying more than 50% of the total property tax bill.

Abatement v. No Development

C.S.I. – Refrigerated Distribution Center, Shelbyville, \$48 million capital investment

<u>Yr/%</u>	<u>No Development</u>	<u>Tax Paid With Abatement</u>
1/100	\$ 1,104	\$ 1,104
2/95	1,104	21,859

3/80	1,104	87,436
4/65	1,104	153,012
5/50	1,104	218,589
6/40	1,104	262,307
7/30	1,104	306,025
8/20	1,104	349,743
9/10	1,104	393,480
10/0	1,104	437,138
Totals	\$11,307	\$2,230,693