STATE OF INDIANA

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MEMORANDUM

TO: County Auditors and County Assessors

FROM: Cheryl A.W. Musgrave, Commissioner CWM
Timothy J. Rushenberg, General Counsel TJR

DATE: June 9, 2008

SUBJECT: Property Tax Deductions

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Introduction

The purpose of this memorandum is to provide an overview of deductions currently available and applicable to real property and mobile or manufactured homes not assessed as real property, in the state of Indiana.

Basis for Taxation After Deduction: For each year that a deduction from the assessed value of the tangible property is allowed, the assessed value remaining after the deduction is the basis for the taxation of the property. IC 6-1.1-12-0.5.

Appointee Filing: Any individual who is sixty-five (65) years of age, is blind, or has a disability, within the meaning of IC 6-1.1-12-11, may appoint an individual eighteen (18) years of age or older to act on [their] behalf for purposes of filing property tax deduction statements for any of the following deductions. IC 6-1.1-12-0.7.

Carry Over Provision: HEA 1293, Section 38 added **IC 6-1.1-12-45** to the Indiana Code, effective as of January 1, 2008 (retroactive) and **applies only to property taxes first due and payable *in 2009 and thereafter*.** This new section was intended as a "carry over" provision to ensure the solar energy heating or cooling system, wind power device, hydroelectric power device, geothermal energy heating or cooling device, homestead standard, mortgage, persons over the age of 65, blind and disabled, disabled veteran, veteran with service connected disability, World War I veteran, and surviving spouse of World War I veterans deductions do not lapse during a transfer of the property. These deductions apply for an assessment date (e.g., March 1, 2008) and for the property taxes due and payable based on the assessment for that assessment date (e.g., May 10, 2009 and November 10, 2009 tax bills), regardless of whether the title was conveyed more than one (1) time, or one (1) or more contracts to purchase were entered into, after that assessment date (e.g., March 1, 2008) and on or before the following assessment date (e.g., March 1, 2009).

Furthermore, this provision applies only if the title holder or contract buyer on the following assessment date (e.g., March 1, 2009) is eligible for the deduction; *and* regardless of whether one (1) or more grantees of title or one (1) or more contract purchasers files an application claiming the deduction. A deduction under these circumstances applies for only one (1) year. If an application is filed in a calendar year (e.g., SDF is filed on December 31, 2008) to claim these deductions with respect to real property and the eligibility criteria for the deduction are met, the deduction applies for the assessment date in that calendar year (e.g., March 1, 2008) and for the property taxes due and payable based on the assessment for that assessment date (e.g., May 10, 2009 and November 10, 2009 tax bills). If an application is filed in the twelve (12) month filing period designated to claim a deduction with respect to an annually assessed mobile home/manufactured home and the eligibility criteria for the deduction are met, the deduction applies for the assessment date in that twelve (12) month period (e.g., January 15, 2009) and for the property taxes due and payable based on the assessment for that assessment date (e.g., May 10, 2009 and November 10, 2009 tax bills).

I. Deductions Covered Under the Sales Disclosure Form

1. **Homestead Credit** [IC 6-1.1-20.9] (See June 2, 2008 Sales Disclosure Form memo)

2. **Homestead Standard Deduction** [IC 6-1.1-12-37] (See June 2, 2008 Sales Disclosure Form memo)

3. **Solar Energy Heating/Cooling Systems** [IC 6-1.1-12-26]

   a. **Who Qualifies:**

   A person who, on the date the statement is filed, either owns or is buying on contract, real property, or a mobile/manufactured home not assessed as real property, may receive a deduction from the assessed value of the property if the property is equipped with a solar energy system.

   Note: This deduction may be claimed with all other deductions except the deduction for persons over the age of 65.

   Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

   b. **Amount of Deduction**

   The person may have deducted annually an amount equal to the remainder of: the assessed value of the property with the solar energy heating or cooling system included; minus the assessed value of the real property without the system.

   c. **Filing [applies to taxes payable in 2009 and thereafter]**

      i. **Real Property:**

      Must file during the year for which the deduction is sought.

      ii. **Mobile/Manufactured Home Not Assessed as Real Property:**

      Must file during the twelve (12) months before March 31 of each year the deduction is sought.

      Note on Mailing:

      If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

   d. **Required Forms:**

i. Sales Disclosure Form 46021; or

ii. State Form #18865

4. **Wind Power Device** [IC 6-1.1-12-29]

a. Who Qualifies:

A person who, on the date the statement is filed, either owns or is buying on contract, real property, or a mobile/manufactured home not assessed as real property, may receive a deduction from the assessed value of the property if the property is equipped with a wind power device.

Note: This deduction may be claimed with all other deductions except the deduction for persons over the age of 65.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction

The person may have deducted annually an amount equal to the remainder of the assessed value of the property with the wind power device included; minus the assessed value of the property without the wind power device.

c. Filing: [applies to taxes payable in 2009 and thereafter]

i. **Real Property:**

Must file during the year for which the deduction is sought.

ii. **Mobile/Manufactured Home Not Assessed as Real Property:**

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:

If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

d. Required Forms:

i. Sales Disclosure Form 46021; *or*

ii. State Form #18865

5. **Hydroelectric Power Device** [IC 6-1.1-12-33; 35.5]

a. Who Qualifies:

A person who, on the date the statement is filed, either owns or is buying, on contract, real property, or a mobile/manufactured home not assessed as real property, may receive a deduction from the assessed value of the property if the property is equipped with hydroelectric power device.

Note: May not be claimed with the deduction for persons over the age of 65.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction:

The person may have deducted annually an amount equal to the remainder of the assessed value of the property with the hydroelectric power device included; minus the assessed value of the property without the hydroelectric power device.

c. Filing: [applies to taxes payable in 2009 and thereafter]

i. **Real Property:**

Must file during the year for which the deduction is sought.

ii. **Mobile/Manufactured Home Not Assessed as Real Property:**

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:

If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

d. Required Forms:

i. Sales Disclosure Form 46021; *or*

ii. State Form #18865; *or*

iii. Certificate of Qualification from the Indiana Department of Environmental Management. (If IDEM fails to make a determination **before December 31 of the application year**, the system is **considered certified**.)

6. **Geothermal Device** [IC 6-1.1-12-34; 35.5]

a. Who Qualifies:

A person who, on the date the statement is filed, either owns or is buying on contract, real property, or a mobile/manufactured home not assessed as real property, may receive a deduction from the assessed value of the property if the property is equipped with geothermal [energy] heating or cooling device.

Note: May not be claimed with the deduction for person over the age of 65.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction

The person may have deducted annually an amount equal to the remainder of assessed value of the property with the geothermal [energy] heating or cooling device included; *minus* assessed value of the property without the geothermal [energy] heating or cooling device.

c. Filing: [applies to taxes payable in 2009 and thereafter]

i. **Real Property:**

Must file during the year for which the deduction is sought.

ii. **Mobile/Manufactured Home Not Assessed as Real Property:**

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:

If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

d. Required Forms:

i. Sales Disclosure Form 46021; or

ii. State Form #18865

iii. Certificate of Qualification from the Indiana Department of Environmental Management. (If IDEM fails to make a determination **before December 31 of the application year**, the system is **considered certified**.)

II. Deductions Not Covered Under the Sales Disclosure Form

1. **Mortgage** [IC 6-1.1-12-1; 2]:

a. Who Qualifies:

A person who is a resident of Indiana, and, on the date the statement is filed, either owns or is buying on recorded contract which provides the buyer must pay the taxes, real property, a manufactured home, or mobile home located in Indiana, may receive a deduction from the assessed value of mortgaged real property, an installment loan financed mobile or manufactured home that is not assessed as real property.

Note: A person who has sold real property, or a mobile/manufactured home not assessed as real property to another person under a contract which provides that the contract buyer is to pay the property taxes may not claim the deduction, provided under this section, with respect to the real property, mobile home, or manufactured home.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction:

Total amount of the deduction which the person may receive under this section for a particular year is the lesser of the:

i. one-half (1/2) of the assessed value of the real property, mobile home, or manufactured home;

ii. the balance of the mortgage or contract indebtedness on the assessment date of that year; or

ii. three thousand dollars ($3,000).

c. Filing :

i. **Real Property:**

Must file during the year for which the deduction is sought.

ii. **Mobile/Manufactured Home Not Assessed as Real Property:**

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:
If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

d. Filing Protocol:

A contract buyer must submit, with the first statement filed under this deduction, a copy or memorandum of the recorded contract containing a legal description of the property.

e. Required Forms:

i. Sales Disclosure Form 46021; *or*

ii. State Form #43709

Note: A new application must be filed whenever a loan on real estate is refinanced.

2. **Deductions for Persons Over Sixty-Five** [IC 6-1.1-12-9;10.1]

a. Who Qualifies:

i. A person who, on the date of filing either owns or is buying, under a contract that requires the buyer to pay the taxes, real property, a manufactured or mobile home not assessed as real property; and the individual is at least sixty-five (65) years of age on or before December 31 of the preceding calendar year;

Note: If spouses own the property as tenants by the entirety or as joint tenants with rights of survivorship, only one deduction is allowed. However, the age requirement is satisfied if either one of the tenants is at least sixty-five (65) years of age.

ii. The combined adjusted gross income (AGI) of the individual and their spouse or the individual and all others with whom they share ownership or are purchasing on contract as joint or tenants in common, for the calendar year in which the deduction is sought, did not exceed twenty-five thousand dollars ($25,000).

iii. Individual must have been buying the property, under a recorded contract that requires the individual to pay the taxes, for at least one year before claiming the deduction or the individual must have owned the property for at least one year before claiming the deduction;

iv. Individual or those covered must live on the real property, mobile or manufactured home;

v. Assessed value of the property cannot exceed $182,430; and

vi. Individual received no other property tax deduction other than the mortgage deduction, homestead credit, or standard deduction.

Note: A surviving, not-remarried spouse is entitled to the deduction if at least sixty (60) years of age on or before December 31 of the calendar year preceding the year in which the deduction is claimed and the decedent was at least sixty-five (65) year of age at the time of death.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction

Total amount of the deduction which the person may receive under this section for a particular year is the lesser of twelve thousand four hundred eighty dollars ($12,480) or one-half of the assessed valuation of the real property, or mobile/manufactured home not assessed as real property.

Note: If all of the residents are not at least sixty-five (65) years of age, the deduction allowed is reduced by an amount equal to the deduction multiplied by a fraction.

Example: [Deduction] = x (# of tenants not 65/# of tenants 65)

c. Filing:

i. Individual must file a sworn statement, on forms prescribed by the department of local government finance, with the auditor of the county in which the property is located.

ii. Real Property:

Must file during the year for which the deduction is sought.

iii. Mobile/Manufactured Home Not Assessed as Real Property:

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:
If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

d. Filing Protocol:

i. The statement must be in affidavit form or verified under penalties of perjury.

ii. An individual must file in duplicate if the individual owns, or is buying under a contract, real property, or a mobile/manufactured home, which is subject to assessment in more than one (1) county or more than one (1) taxing district.

iii. The statement must contain:

- Source and exact amount of gross income;
- Description and assessed value of the property;
- Individual's full name and complete residence address;
- Record number and page where the contract or memorandum of the contract is recorded if the individual is buying the property on contract; *and*
- Any additional information required by the department of local government finance.

iv. Individual must submit to the county auditor a copy of the individual's and their spouse's income tax returns for the preceding calendar year. When applicable, individual must indicate that neither party was required to file a return.

e. Required Forms:

i. State Form 43708;

ii. IRS Form 1040 for previous calendar year must be submitted for the applicant and all co-owners.

3. Income Based Credit [IC 6-1.1-20-8.5]

a. Who Qualifies:

i. An individual is qualified to receive a deduction under this section if the individual qualified for the standard deduction granted under IC 6-1.1-12-37 in the preceding calendar year and qualifies for the standard deduction during the current calendar year.

ii. To qualify, an applicant's adjusted gross income (AGI) may not exceed thirty thousand ($30,000) for an individual or forty thousand ($40,000) for a married couple filing jointly.

iii. An individual is entitled to a credit under this section for property taxes first due and payable for a calendar year on a homestead if the homestead is a qualified homestead property for the calendar year and the filing requirements are met.

Note: For purposes of this credit, "qualified homestead property" means the individual owns, or is purchasing the homestead on contract, or has a beneficial interest therein; is or **will be at least 65 on or before December 31** of the calendar year immediately preceding the calendar year in which the taxes are due; and the adjusted gross value of the homestead on the assessment date is ***less than*** one hundred sixty thousand dollars ($160,000).

b. Amount of Credit:

The amount of the credit is equal to the greater of zero (0) or the result of the property tax liability first due and payable on the qualified homestead property for the calendar year; minus the result of the property tax liability first due and payable on the qualified homestead property for the immediately preceding year; ***multiplied*** **by one and two hundredths (1.02).**

Exception: Property tax liability imposed on any improvements to or expansion of the homestead property after the assessment date for which property tax liability was imposed cannot be considered in determining the credit granted under this section in the current calendar year.

c. Filing [file in the same manner as for IC 6-1.1-12-9]:

i. Real Property:

Must file during the year for which the deduction is sought.

ii. Mobile/Manufactured Home Not Assessed as Real Property:

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

iii. Eligibility and Filing:

1. An individual who remains eligible for the credit in the following year is not required to file a statement in the following year, as the auditor of each county must, in a particular year, apply a credit provided under this section to each individual who received the credit in the preceding year unless the auditor determines that the individual is no longer eligible for the credit.

2. An individual who receives a credit under this section in a particular year and who becomes ineligible for the credit in the following year shall notify the auditor of the county in which the homestead is located of the individual's ineligibility before June 11 of the year in which the individual becomes ineligible.

d. Required Forms:

i. State Form 43708; *and*

ii. IRS Form 1040 for previous calendar year for both applicant and co-owner.

4. **Deduction for Blind and Disabled Persons** [IC 6-1.1-12-11;12]

a. Who Qualifies:

A person who, on the date of filing either owns or is buying under a contract that provides the buyer is to pay the taxes, real property, a manufactured or mobile home not assessed as real property; *and*

i. is blind or disabled;

ii. the property is used and occupied by the individual as their principal residence; *and*

iii. individual's taxable gross income for the preceding calendar year did not exceed seventeen thousand dollars ($17,000). Taxable gross income does not include income that is not taxed under the federal income tax laws.

Note: A person who has sold real property, or a mobile/manufactured home not assessed as real property to another person under a contract which provides that the contract buyer is to pay the property taxes may not claim the deduction, provided under this section, with respect to the real property, mobile home, or manufactured home.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Definition of Blind

An individual who has vision in the better eye with correcting glasses of 20/200 or less, or a disqualifying visual field defect as determined upon examination by an ophthalmologist or optometrist who has been designated to make such examinations by the county office and approved by the division of family resources. See: IC 12-7-2-21(1).

c. Definition of Disabled

A person who is unable to engage in any substantial gainful activity by reason of physical or mental impairment which can be expected to result in death, or last for a continuous period of not less than twelve (12) months.

d. Amount of Deduction:

Twelve thousand four hundred and eighty dollars ($12,480).

Note: Deductions for blindness and disability may not be claimed with the deduction persons over the age of 65.

e. Filing:

i. Real Property:

Must file during the year for which the deduction is sought.

ii. Mobile/Manufactured Home Not Assessed as Real Property:

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:

If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing

f. Required Forms:

i. State Form 43710

ii. Proof of Blindness:

1. Records of a county office of family and children, the division of family resources, or the division of disability and rehabilitative services; or

2. A written statement of a physician who is licensed [in Indiana] and skilled in the diseases of the eye; or a licensed optometrist.

iii. Proof of Disability:

1. A claimant's eligibility to receive disability benefits under the federal Social Security Act (42 U.S.C. 301 et seq.) constitutes proof of disability for purposes of this deduction.

2. If the individual is not covered under the federal Social Security Act, the individual must be examined, at their own cost, by a physician, for a declaration of the individual's status as an individual with a disability determined by using the same standards as used by the Social Security Administration.

5. **Disabled Veteran Deduction** [IC 6-1.1-12-14;15]

a. Who Qualifies:

A person who, on the date of filing either owns or is in the process of buying, under a contract that provides that the buyer is to pay the taxes, real property, a manufactured or mobile home not assessed as real property; *and*

i. served at least a ninety (90) day term in the United States military;

ii. received an honorable discharge;

iii. suffers from a complete disability if under the age of sixty-two (62), if over sixty-two, the person will qualify if they can show that they are at least ten percent (10%) disabled; *and*

iv. the total assessed value of the individual's real and personal property does not exceed one hundred forty three thousand one hundred sixty ($143,160) dollars.

v. A surviving spouse of an individual meeting the above criteria may apply for the deduction.

Note: A person who has sold real property, or a mobile/manufactured home not assessed as real property to another person under a contract which provides that the contract buyer is to pay the property taxes may not claim the deduction, provided under this section, with respect to the real property, mobile home, or manufactured home.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction:

Twelve thousand four hundred and eighty dollars ($12,480).

Note: May not be claimed concurrently with the Deduction for Persons Over the Age of 65.

c. Filing:

i. Real Property:

Must file during the year for which the deduction is sought.

ii. Mobile/Manufactured Home Not Assessed as Real Property:

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

iii. Guardianship:

A qualifying person who is under guardianship must have the guardian file the statement.

Note: With respect to contract purchases, the filed statement must provide the record number and page of where the contract is recorded.

d. Required Forms:

i. State Form 12662;

ii. Either:

1. United States Department of Veteran's Affairs Form 20-5455 Code 1 in Item #15;

2. Pension Certificate;

3. Award of Compensation from VA or DOD; *or*

4. Certificate of Eligibility from Indiana Department of Veteran's Affairs.

6. Veteran with Service Connected Disability [IC 6-1.1-12-13;15]

a. Who Qualifies:

i. A person who, on the date of filing either owns or is in the process of buying, under a contract, real property, a manufactured home, or mobile home that provides buyer is to pay taxes; and

1. Served in the United States Military or Naval forces during any of its wars;

2. Received an honorable discharge; *and*

3. Suffers from a service connected disability of least ten percent (10%).

ii. A surviving spouse of an individual meeting the above criteria may apply for the deduction.

Note: A person who has sold real property, or a mobile/manufactured home not assessed as real property to another person under a contract which provides that the contract buyer is to pay the property taxes may not claim the deduction, provided under this section, with respect to the real property, mobile home, or manufactured home.

Note: May not be claimed concurrently with the Deduction for Persons Over the Age of 65.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction:

Twenty-four thousand nine hundred sixty dollars ($24,960).

c. Filing:

i. Real Property:

Must file during the year for which the deduction is sought.

ii. Mobile/Manufactured Home Not Assessed as Real Property:

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

iii. A qualifying person who is under guardianship must have the guardian file the statement.

Note on Mailing:

If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing

d. Required Forms:

i. State Form 12662;

ii. Either:

1. VA Form 20-5455 Code 2 in Item #15; Pension Certificate;

2. Award of Compensation from the VA or DOD;

3.Certificate of Eligibility from the Indiana Department of Veteran's Affairs; *or*

4. A disability check.

7. **Veteran of World War I** [IC 6-1.1-12-17.4]

a. Who Qualifies:

A person who, on the date of filing either owns or is in the process of buying, under a contract, real property, a manufactured home, or mobile home that provides buyer is to pay taxes; *and*

i. is a veteran of World War I;

ii. is a resident of Indiana;

iii. real property, manufactured or mobile home is veteran's principal place of residence. Veteran may not, however, be denied deduction if absent from principal place of residence while in a nursing home or hospital;

iv. assessed value of the property does not exceed two hundred six thousand five hundred dollars ($206,500.00); *and*

v. veteran has had ownership of property for at least one year prior to claiming the deduction.

Note: A person who has sold real property, or a mobile/manufactured home not assessed as real property to another person under a contract which provides that the contract buyer is to pay the property taxes may not claim the deduction, provided under this section, with respect to the real property, mobile home, or manufactured home.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction:

Eighteen thousand seven hundred twenty dollars ($18,720.00).

Note: If the property is owned by husband and wife as tenants by the entirety, only one deduction may be claimed per parcel of property.

c. Filing:

i. Real Property:

Must file during the year for which the deduction is sought.

ii. Mobile/Manufactured Home Not Assessed as Real Property:

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:
If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

d. Required Forms:

i. State Form 12662

ii. Letter from Veteran's Affairs or Department of Defense

iii. Discharge Documents (If letter is not available).

8. Surviving Spouse of World War I Veteran [IC 6-1.1-12-16;17)]

a. Who Qualifies:

A person who, on the date of filing, either owns or is buying, under a contract that provides that the buyer is to pay the taxes, real property, a manufactured or mobile home not assessed as real property; and

i. is a Surviving Spouse of a World War I Veteran;

ii. is a resident of Indiana;

iii. deceased spouse served in the military forces of the United States before November 12, 1918; *and*

iv. deceased spouse received an honorable discharge;

Note: A person who has sold real property, or a mobile/manufactured home not assessed as real property to another person under a contract which provides that the contract buyer is to pay the property taxes may not claim the deduction, provided under this section, with respect to the real property, mobile home, or manufactured home.

Note: IC 6-1.1-12-45 "Carry Over" Provision Applies.

b. Amount of Deduction:

Twelve thousand four hundred and eighty dollars ($18,720.00).

Note: May not claim this deduction concurrently with the Deduction for Disabled Veterans or Surviving Spouses

c. Filing:

i. Real Property:

Must file during the year for which the deduction is sought.

ii. Mobile/Manufactured Home Not Assessed as Real Property:

Must file during the twelve (12) months before March 31 of each year the deduction is sought.

Note on Mailing:

If the individual wishes to mail the statement, the mailing must be postmarked on or before the last day for filing.

d. Required Forms:

i. State Form 12662

ii. Letter from Veteran's Affairs or Department of Defense showing spouse's service in the United States military before November 12, 1918.

iii. Discharge Documents (If letter is not available).

iv. Sworn statement in affidavit form, or verified under penalties of perjury that the surviving spouse is entitled to the deduction.

v. The record number and page where the contract or memorandum of the contract is recorded, if the individual is buying the real property, mobile home, or manufactured home on a contract that provides that the individual is to pay property taxes on the real property, mobile or manufactured home.

Note: The statement must be filed in duplicate if the veteran had, or was buying under contract, real property in more than one county or in more than one taxing district.

9. If you have any questions, please contact the Budget Division (317) 234-3937.