

Testimony: prepared for Fiscal Policy Interim Committee  
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Re: Uniform Property Tax Assessment of Nonprofit Entities



Indiana United Ways and our 60 local United Ways work closely with local community- and faith-based organizations that help individuals and their families reach their potential. We believe that local communities thrive when business, government and charitable sectors are strong.

Indiana United Ways supports efforts to clarify property tax exemption issues and is interested in working with policymakers on solutions. A few quick points to summarize the issues:

- **There is a difference between the tax-exempt definitions in Internal Revenue Code and Indiana Code<sup>1</sup>.** The IRS definition includes more nonprofits for federal tax exemption than does the IC for nonprofits eligible for Indiana property tax exemption. Indiana’s definition can leave “charitable purpose” open to interpretation for each independent county assessor.
- **Different interpretations result in inconsistency and unpredictability.** Assessed values and exemption status may change with change of ownership of a property or with the election of a new assessor. Application of the law and rules should be fair and impartial among similar nonprofits from county to county and from year to year. Another challenge results in the complexity that a single nonprofit may qualify under multiple exemptions. For example, a charitable nonprofit that is a religious organization that also provides education may qualify under multiple definitions. As you can see from Mr. Sigalow’s work on the [LSA report](#), there are certain counties that may have zero’s in places that aren’t consistent with other counties. The interpretation of the charitable purpose can lead to this kind of inconsistency. Nonprofit property tax exemption is confusing; simplifying the law and rules could increase equity.
- **The current process is confusing.** Nonprofit organizations and assessors both report confusion with the forms and processes for application, filing, providing notice of changes, appeals, etc.
- **The cost of resolving interpretations on a case-by-case basis is burdensome.** While we appreciate the General Assembly’s efforts to consolidate the appeals process by passing legislation in the 2017 session (SEA386, HEA1450), we believe that the process is still time-consuming and costly to both the nonprofit and local government. Nonprofits, especially small nonprofits, work hard to minimize their administrative costs. Therefore, while it may be in a nonprofit’s best interest for the long-term to appeal an assessment, some nonprofits will avoid the immediate administrative costs of expert legal, tax and accounting counsel to file an exemption or an appeal. Nonprofits are sensitive to the fact that donors may be less likely to contribute to support an organization’s increased administrative cost than to the programmatic costs that advance the mission.

Indiana United Ways and other nonprofits would like to be included in the development of proposed solutions to address inconsistencies of assessment. Administrative action and/or legislation would provide clarity to nonprofits and local assessors about property tax exemption, creating consistency and predictability for both the nonprofit organization and the local units of government.

<sup>1</sup>To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3). Exempt purposes are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency. None of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization. The requirements under IC are more limited than the IRS definition, in that property may be exempt from taxation if it owned, occupied and used for educational, literary, scientific, religious or charitable purposes under the IC 6-1.1-10-16 or IC 6-1.1-10-21.