

Insights

Property Tax Exemptions Threatened for Indiana Nonprofit Hospitals

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An exemption from property tax is one of the fundamental premises upon which many nonprofit organizations rely. Such exemptions allow these organizations to reduce their operating costs so that they may more effectively perform their charitable purposes. According to the Indiana Legislative Services Agency, Indiana nonprofit hospitals received exemptions for property with assessed value of approximately \$2.6 billion for the January 1, 2019 assessment.

Over the years property tax exemptions have been challenged and reshaped by local municipalities, the courts and the Indiana legislature. This session, legislation has been introduced to address whether nonprofit hospitals should continue to receive property tax exemptions for the hospitals they own. Specifically, Senate Bill 232 provides that beginning with the January 1, 2021 assessment, nonprofit hospitals will lose their ability to obtain property tax exemptions for the hospitals they own. If passed, this change will have major consequences for nonprofit hospitals throughout the State and will result in affected hospitals being required to pay around \$78 million in property taxes beginning in 2022.

Due to the fact that this year's legislative session is a short session which will end on or before March 14, Indiana nonprofit hospitals should act now in order to preserve their ability to obtain property tax exemptions for the hospitals they own before it is too late.