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Indiana Passes New Law on Big Box Retail Assessment

By Morgan Thomas, Chicago

The Indiana General Assembly made legislative changes again this year in an effort to prevent big box retail stores from winning tax breaks based on a "dark stores" methodology.

Dark stores valuations use closed or sold store comparisons to determine the value of newer stores, often resulting in lower assessed values and tax bills for retailers.

2015 LAW REPEALED

The General Assembly repealed provisions in a 2015 law that required the cost approach to value properties with a building size of at least 50,000 square feet and an effective age of ten years or less. It also limited property value comparisons to buildings that were used for similar purposes and had been for sale less than a year.

Officials believed the previous law didn't go far enough to require big box stores to pay their fare share of property taxes.

HOUSE BILL 1290

In its 2016 session, even more stringent regulations were approved with House Bill 1290, which was signed into law by the governor on March 24. The lengthy new law establishes a property valuation method known as market segmentation, in which property types will be evaluated based on where they fall into specific market classes.

The new law states: "With respect to the assessment of an improved property, a valuation does not reflect the true value of the improved property if the purportedly comparable sale properties supporting the valuation have a different market or submarket than the current use of the improved property based on a market segmentation analysis."

A property's market segmentation must now be considered by the department of local government finance along with its size, location, use, type of construction, age, condition, cost of reproduction, and any other factor that the department determines is just.

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