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From Indiana to Disney Springs: Major Developments in Property Tax Law

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Updates to Indiana's Business Personal Property Tax: Senate Bill 1 (SB 1)

In the last legislative session, the Indiana General Assembly introduced and passed significant changes to Indiana's business personal property tax regime. The changes in Indiana's SB 1, along with subsequent amendments from House Enrolled Act 1427, aim to reduce businesses' tax burdens and encourage investment in new equipment. Two key changes and their implications for businesses operating in the state of Indiana are outlined below.

Raises De Minimis Exemption Threshold

SB 1 significantly raises the *de minimis* exemption threshold for business personal property. Effective January 1, 2026, the threshold for business personal property tax will increase from \$80,000 to \$2 million. If the total business personal property acquisition costs in a county are below \$2 million, then the business will be exempt from the business personal property tax. Taxpayers will still be required to file a business personal property return even if they qualify for the new exemption threshold. See **IC 6-1.1-3-7.2**

Removal of the 30% Minimum Valuation Floor

SB 1 removes the 30% minimum valuation floor for new depreciable business personal property placed in service as of January 1, 2025. Prior to the passage of this bill, business personal property assets retained a taxable value of at least 30% of their original cost, even when fully depreciated. With this legislative change, new property can depreciate to zero, lowering the property's taxable value.

Business should be cautious to consider when the assets were placed into service. Assets placed in service before January 1, 2025, will remain subject to the 30% floor. Additionally, property located in tax increment

financing districts is still subject to the 30% floor. As a practical matter, businesses will need to track old and new assets separately to comply with the differing tax treatment. See **50 IAC 4.2-4-9**

Michigan Supreme Court Set to Tackle the Definition of “Additions” for Real Property Tax Cap

Knier v. City of Bay City, 2025 Mich. 946, SC: 167593 (Mich. 2025); *Knier, Powers, Martin, & Smith, LLC v. City of Bay City*, 2024 Mich App. 6126, No. 366114 (Mich. Ct. App. 2024)

The Michigan Supreme Court accepted an appeal of the First District Court of Appeals' decision in *Knier, Powers, Martin, & Smith, LLC v. City of Bay City*, promising further clarity on the definition of “additions” in the context of Michigan’s property tax regime. Under Michigan law, the taxable value of real property can only increase by the inflation rate or 5%, whichever is lower. If an “addition” is made to a property, 50% of the true cash value of the addition can be added to the taxable value of the property without violating the real property tax cap. The First District held that a commercial roof replacement qualified as an “addition,” allowing assessors to add 50% of the improvement’s true cash value to the taxable value, beyond the 5% or inflation cap.

In the case before the court, a law firm replaced their building’s roof in 2021, leading Bay City to reassess the property’s taxable value for 2022 and increasing the taxable value by 12.42%. The court of appeals ruled that the roof replacement was an “addition” because the roof is a “new construction”— property not existing on the prior Tax Day. The court rejected the law firm’s arguments that the term “property” is limited to land and buildings. It also rejected arguments that the replacement was not “new construction” since a roof existed before and after the construction project, noting the new roof’s distinct value. In coming to its decision, the court also evaluated a similar provision in MCL § 211.27(2)(b), which addresses the impact of changes to residential properties on the taxable cap. The court noted that MCL § 211.27(2)(b) contains a specific carve-out for residential roof repair from the definition of “addition.” Because the residential statute contained a specific carve out for roof repairs, the court agreed that a nonresidential roof (for which the statute did not contain a carve out) would therefore be an “addition.”

The pending Supreme Court review may refine the scope of “additions.” Commercial property owners should anticipate that significant repairs, like roof replacements, may trigger taxable value increases beyond the statutory cap.

County Property Appraiser Goes on the Offensive; Sues Disney over Assessment of Disney Springs Hotel

Orange County Property Appraiser Amy Mercado has filed a lawsuit against Disney over a property tax dispute involving the Hilton Doubletree hotel near Disney Springs. The conflict centers on the Orange County Value Adjustment Board's (VAB) decision to reduce the hotel's assessed value for 2024 from \$30.3 million to \$26.3 million—a \$4 million drop.

Mercado argues the VAB's decision is "unlawful and invalid" and is asking the court to overturn it, reinstate her office's original valuation, and require Disney to cover legal fees. She maintains her office used standard, professionally accepted appraisal methods.

This marks the first time since taking office in 2020 that Mercado has sued Disney. Historically, Disney has been the one filing lawsuits to challenge its property assessments, including multiple complaints in late 2024 covering theme parks, hotels, and other properties.

The outcome of this case carries high financial stakes, not just for Disney but also for local public institutions like Orange County Public Schools, which rely on property tax revenue.