

Replacing Homestead Property Taxes — An Indiana-First Solution

“I will fight to eliminate property taxes on Homesteads and pursue responsible alternatives — including exploring and evaluating J.D. Prescott’s proposal and national reform models.”

Executive Summary

Property taxes on primary residences remain a heavy and inequitable burden on Indiana homeowners, particularly seniors, working families, and fixed-income households. Indiana has taken steps in recent years to reduce this burden through increased homestead deductions and credits, but the core problem remains: homeowners are taxed annually on their shelter, which is often their largest lifetime investment.

This policy proposes a path toward **eliminating property taxes on Homestead primary residences** while ensuring local governments retain stable funding. It also acknowledges alternative reform approaches under consideration, including **a plan by State Representative J.D. Prescott to replace the property tax system with a sales tax on services**, and examines how other states are advancing similar reform efforts.

Current Indiana Context and Reform Momentum

Indiana has already engaged in incremental property tax relief measures:

- The Indiana Legislature expanded supplemental homestead deductions and introduced homestead tax credits for homeowners, reducing tax bills for many residents. These credits and deductions will continue to evolve through 2031 under current law. [Purdue University - Extension+1](#)
- Despite these improvements, significant property tax liability remains for many Hoosiers, particularly as assessed values rise and local service demands grow.

A broader reform discussion has emerged, including alternative strategies like the one proposed by **State Representative J.D. Prescott**. Prescott’s approach explores **eliminating Indiana’s property tax system entirely and replacing the revenue base with a sales tax on services beginning in 2027**, with provisions ensuring essential sectors such as education remain funded. [Indiana House Republicans](#)

This alternative demonstrates that there is **serious legislative consideration of fundamental reform**, not just incremental relief — but any replacement solution must protect homeowners while maintaining government services.

Problem Statement

Property tax on a family's home is unlike any other tax: it taxes **ownership of shelter**, not income or consumption. This structure disproportionately hurts:

- **Seniors and fixed-income homeowners** who see annual bills rise regardless of income changes.
- **Working families** who carry a mortgage but face a perpetual tax lien.
- **Long-term residents** whose homes appreciate in value due to market forces beyond their control.

Additionally, local governments rely heavily on property taxes for core services (schools, public safety, fire and EMS, roads, libraries). Any plan to eliminate the homestead tax must ensure **full and stable replacement of revenue**, not a deficit.

Policy Position

Homestead property tax should be eliminated for primary residences in Indiana, and we should pursue responsible alternative revenue mechanisms that fully fund local services.

This position includes:

1. **Direct elimination of homestead property tax for primary residences**
Homeowners should not be taxed annually on the value of their shelter.
2. **Consideration of alternative revenue structures**
Evaluate options including sales tax on services, targeted economic growth revenue, and fiscally conservative shifts that do not expand net tax burdens on families.
3. **Study and potentially adopt principles from other state reform efforts**
Examine how proposals and models nationwide — such as property tax elimination initiatives and robust exemption expansions — might inform Indiana's path.

Alternative Models and Comparative State Efforts

Several states are actively considering or implementing property tax relief reforms, illustrating the growing national dialogue:

North Dakota “Path to Zero” Primary Residence Tax Plan

North Dakota’s governor proposed phasing out property taxes on primary residences using state general fund support and oil revenue earnings, which could make residential property taxes effectively zero over time. [AP News](#)

Florida Constitutional Amendment Proposals

Florida lawmakers are advancing proposals that would exempt homestead properties from most property taxes, subject to voter approval, while preserving funding for essential local services. [The Florida Senate](#)

Homestead Relief and Exemption Expansion Nationwide

Several states offer homestead exemptions or targeted relief programs that reduce or eliminate property taxes on portions of primary residences — often combined with credits or freezes. States such as Florida, Georgia, South Dakota, and others use robust exemption structures that significantly lower homeowners’ tax liabilities. [HomeRiver Group](#)

Sales Tax Replacement Models

Kansas has explored using a dedicated “Freedom From Taxes Fund” financed by removing certain sales tax exemptions, investing the proceeds to generate ongoing local government funding. [Realtor](#)

These examples demonstrate that **complete policy reform** — from partial exemptions to full replacement models — is actively under consideration in multiple states. Indiana’s approach should evaluate these lessons to ensure a workable solution.

Policy Pillars

To achieve elimination of homestead property tax while safeguarding vital services:

1. Comprehensive Revenue Replacement

Any elimination of property tax must come with **stable alternative funding** that:

- Fully replaces revenue for schools, police, fire, and local infrastructure
- Does not disproportionately shift burdens to low-income residents

- Maintains fiscal responsibility and budgetary transparency

2. Protection for Vulnerable Populations

Ensure seniors, disabled homeowners, veterans, and long-term residents receive robust ongoing relief, with safeguards against displacement or financial pressure from tax policy.

3. Transparent Transition Mechanisms

Implement phased transitions with clear benchmarks, ensuring local governments have time to adjust budgeting and revenue planning, with public reporting requirements.

4. Local Input and Accountability

Local governments must be involved in designing replacement revenue mechanisms that reflect community priorities and maintain service quality.

Rationale and Benefits

Eliminating homestead tax:

- **Protects homeowners from repeated taxation on shelter**
- **Encourages homeownership and community stability**
- **Reduces financial stress on fixed-income and working families**
- **Positions Indiana as a leader in conservative tax reform**

At the same time, it respects the need for reliable funding for schools and services that citizens depend on every day.

Conclusion

Eliminating homestead property tax is both a compelling moral and economic objective. Indiana is already experimenting with deeper relief, and alternative legislative proposals — such as J.D. Prescott's sales tax replacement strategy — show policy innovation at the state level. Informed by other state experiences and grounded in fiscal responsibility, Indiana can lead in protecting homeowners while maintaining fully funded local government services.

Homeownership should be a source of security, not perpetual tax burden.

I will fight to eliminate homestead property taxes and champion responsible, sustainable alternatives that keep local government strong.