

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7536
BILL NUMBER: HB 1440

DATE PREPARED: Jan 3, 2001
BILL AMENDED:

SUBJECT: Tax credits for hiring minority youth and disabled persons.

FISCAL ANALYST: Brian Tabor
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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			(1,000,000)
State Expenditures			
Net Increase (Decrease)			(1,000,000)

Summary of Legislation: This bill entitles a taxpayer that employs a minority youth or disabled person to a tax credit equal to \$500 or 25% of the wages paid to the minority youth or disabled person, whichever is less. It also provides that the maximum amount of total credits allowed to all taxpayers in a state fiscal year is \$1,000,000.

Effective Date: January 1, 2002.

Explanation of State Expenditures: A taxpayer must file an application with the Indiana Department of State Revenue (DOR) to receive the tax credit. Any additional expenditures for staff, printing costs and computer changes related to this proposal can be absorbed given the DOR's existing budget.

Explanation of State Revenues: The tax credit would equal the lesser of 25% of an eligible individual's yearly wages or \$500 per minority youth or disabled person. The aggregate amount of tax credits awarded may not exceed \$1 million each fiscal year. Because the credit applies to taxable years beginning January 1, 2002, this proposal would impact state revenues beginning in FY 2003. A taxpayer may carry forward unused tax credits (the amount which exceeds current tax liability), but no carry-backs or refunds are permitted.

To be considered an eligible individual with respect to this tax credit, a disabled person or minority youth must have had a household income of less than \$20,000 in the most recent year. Based on US Census projections, there were approximately 50,000 Indiana minority youths between 16 and 20 years old in 2000. However, it is not known how many are currently employed or how many reside in households earning less than \$20,000 annually. The number of disabled Indiana residents that would be eligible under the conditions of this bill is also not known. If the maximum \$500 credit is claimed for each eligible employee, this proposal could provide an incentive for the employment of up to 2,000 minority youths and disabled individuals.

Credits granted under this proposal may be taken against a taxpayer's liability under the Gross Income Tax, Adjusted Gross Income (AGI) Tax, Supplemental Net Income Tax, Bank Tax, Savings and Loan Association Tax, Financial Institutions Tax, and Insurance Premium Tax. Revenue from these taxes is deposited in the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Department of State Revenue.

Local Agencies Affected:

Information Sources: US Census Bureau, State Population Projections: 1995 to 2000.