LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6753 **DATE PREPARED:** Jan 22, 2001
BILL NUMBER: HB 2012 **BILL AMENDED:**

SUBJECT: Tax deduction for energy efficient appliances.

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FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill provides that a taxpayer is entitled to an income tax deduction during a taxable year, if the taxpayer purchases for use in the taxpayer's residence, certain energy efficient electrical appliances, heating and cooling products, or fuel cells. It provides that the amount of the deduction is the lesser of: (1) the total costs of the purchase, delivery, and installation of one or more specified items; or (2) $1,000. The bill also requires the taxpayer to submit to the Department of State Revenue proof of the taxpayer's costs for the purchase, delivery, and installation of all items used by the taxpayer to claim the deduction.

Effective Date: January 1, 2001 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to incorporate this deduction. These expenses could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: *The annual reduction in state revenue associated with this bill is indeterminable. Revenue loss would begin as early as FY 2002.*

This bill allows a taxpayer, including those filing joint returns, to deduct the cost (including the purchase price, delivery, and installation) of certain energy efficient appliances from state taxable income. The maximum deduction allowed would be $1,000. Items for which this deduction may be taken include washers, refrigerators, dishwashers, air conditioners, boilers, furnaces, heat pumps, fuel cells, and other appliances meeting certain energy efficiency standards. No information is available regarding the total number of appliances sold in Indiana which meet the standards set forth in this bill. For each 1,000 taxpayers claiming the maximum deduction, state Individual Adjusted Gross Income (AGI) Tax revenue would be reduced by $34,000 ($1,000 each for 1,000 taxpayers multiplied by the AGI Tax rate of 3.4%).

This deduction would be effective for tax years beginning January 1, 2001. Individual AGI Tax revenue is deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) will experience a minimal reduction in their revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: