

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6665

BILL NUMBER: SB 442

NOTE PREPARED: Dec 19, 2002

BILL AMENDED:

SUBJECT: Use Tax Credit.

FIRST AUTHOR: Sen. Young R

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: No Fiscal Impact

Summary of Legislation: The bill provides that a person who pays a sales tax to another state on the purchase of a vehicle, watercraft, or aircraft that is required to be titled, registered, or licensed by Indiana is entitled to a credit against the Indiana Use Tax.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues: *Background Information:* The bill removes IC 6-2.5-3.5(b), a subsection that prevents payers of a sales tax in another state from receiving a credit against the Indiana Use Tax when titling a vehicle, watercraft, or aircraft in Indiana. In September 2002, the Indiana Tax Court ruled in favor of a person who challenged this prohibition on the grounds that it violated the Commerce Clause of the U.S. Constitution. Because of this ruling and the Department of State Revenue's administrative response to the ruling, the statutory changes in the bill are not expected to impact state revenue.

Prior to the ruling, a person who purchased a vehicle in another state and wanted to have the vehicle titled in Indiana was required to pay the full amount of Indiana's Use Tax in addition to the amount of sales or use tax previously paid in the state where the vehicle was purchased. Purchasers of items that do not require an Indiana title receive a credit or exemption from the Indiana Use Tax depending on the amount of sales or use tax already paid in another state. The current practice of the Department of State Revenue makes all out-of-state purchases eligible for the same Use Tax credits or exemptions.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Bureau of Motor Vehicles.

Local Agencies Affected:

Information Sources: Mike Ralston, Administrator/Tax Appeals, Department of State Revenue, 233-3229; Rhoades v. Indiana Department of State Revenue (Sept 6, 2002).

Fiscal Analyst: John Parkey, 317-232-9854