

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7098

BILL NUMBER: SB 356

NOTE PREPARED: Jan 5, 2004

BILL AMENDED:

SUBJECT: Sale of Tax Credits.

FIRST AUTHOR: Sen. Ford

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that a taxpayer that is entitled to a state tax credit may sell, assign, convey, or otherwise transfer any unused portion of the tax credit that exceeds the taxpayer's tax liability.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses as a result of allowing taxpayers to transfer tax credits. Under the bill, the DOR would have oversee the tax credit transfer process and establish a reporting system for tax credit transfers. The DOR also may have to revise tax forms, instructions, and computer programs for purposes of tax credit transfers. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, and Financial Institutions Tax liabilities of individual and corporate taxpayers that obtain unused tax credits from other individual and corporate taxpayers. As data is unavailable regarding the amount of tax credits that are carried over by taxpayers or otherwise not used, the fiscal impact is indeterminable but could be significant. Revenue loss from the sale of these credits could potentially begin in the second half of FY 2005 or in FY 2006.

The bill allows a taxpayer to transfer sell, assign, convey, or otherwise transfer tax credits to another taxpayer beginning in tax year 2005. A taxpayer may transfer only the tax credit amounts that exceed the taxpayer's tax liability. Pertinent tax credits that could be transferred under the bill are listed below.

- (1) Enterprise Zone Employment Expense Credit
- (2) Enterprise Zone Loan Interest Credit
- (3) Enterprise Zone Investment Cost Credit
- (4) Teacher Summer Employment Credits
- (5) Research Expense Credits
- (6) Neighborhood Assistance Credits
- (7) Industrial Recovery Tax Credit
- (8) Military Base Recovery Tax Credit
- (9) Economic Development for a Growing Economy Tax Credit
- (10) Capital Investment Tax Credit
- (11) Maternity Home Tax Credit
- (12) Tax Credit for Computer Equipment Donations
- (13) Historic Rehabilitation Credit
- (14) Indiana Riverboat Building Credit
- (15) Community Revitalization Enhancement District Tax Credit
- (16) Residential Historic Rehabilitation Credit
- (17) Refined Lubrication Oil Facility Credit
- (18) Voluntary Remediation Tax Credit
- (19) Venture Capital Investment Tax Credit
- (20) Coal Combustion Product Tax Credit
- (21) Hoosier Business Investment Tax Credit
- (22) Blended Biodiesel Tax Credits
- (23) Ethanol Production Tax Credit

Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. The revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%). Since the bill is effective beginning in tax year 2005, the fiscal impact could potentially begin in FY 2005 if taxpayers adjust their quarterly estimated payments.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

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