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FISCAL IMPACT STATEMENT

LS 6077

BILL NUMBER: HB 1024

NOTE PREPARED: Oct 15, 2004

BILL AMENDED:

SUBJECT: Sales Tax on Flags.

FIRST AUTHOR: Rep. Koch

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill exempts sales of the United States flag and the state flag from the state Sales Tax.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This provision would have a slight administrative impact on the Department of State Revenue. Any additional costs could be covered using existing resources.

Explanation of State Revenues: Exempting the sales of U.S. flags and state flags from the state's 6% Sales Tax would reduce state Sales Tax revenue by approximately \$182,000 in FY 2006 and \$199,000 in FY 2007. Due to the timing of remittance and posting of Sales Tax collections, only 11 of the 12 months of Sales Tax collections in FY 2006 will be affected.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Background Information: Estimates of current and future sales of U.S. flags and state flags suggest that nationwide sales of the United States flag could reach about \$133.6 M in FY 2006. Based on the assumption that flag sales in Indiana are proportionate to Indiana's share of U.S. disposable personal income, it is estimated that Indiana sales would represent approximately \$2.63 M. (Indiana disposable personal income represents 1.97% of total U.S. disposable personal income.) Additionally, it was assumed that sales of the state

flag are equal to 25% of the sales of the U.S. flag.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Department of Commerce, Bureau of Economic Research; Annin & Co.; Walker, L. (2003, July 1). *When Even Old Glory Is Made in China*. *Christian Science Monitor*. Retrieved from www.csmonitor.com.

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