

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6505
BILL NUMBER: HB 1074

NOTE PREPARED: Dec 13, 2005
BILL AMENDED:

SUBJECT: Enterprise Zone Investment Cost Credit.

FIRST AUTHOR: Rep. Yount
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that trusts, estates, corporations, and pass through entities that make qualified investments in Enterprise Zone businesses may claim the Enterprise Zone Investment Cost Credit. (Current law allows only individuals to claim the credit, except in Vigo County where pass through entities are also eligible.)

Effective Date: January 1, 2007.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the change to the tax credit. The DOR's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary:* The bill extends the Enterprise Zone (EZ) Investment Cost Credit (ICC) to trusts, estates, corporations, and pass through entities effective beginning in tax year 2007. The fiscal impact of this change is indeterminable.

Background Information: Under current statute, the ICC may be claimed against the Adjusted Gross Income (AGI) Tax by individuals purchasing an ownership interest (an equity investment) in an EZ business. Current statute allows pass through entities investing in businesses in a Vigo County EZ to claim the ICC. The bill extends the ICC to trusts, estates, corporations, and pass through entities for equity investment in any EZ.

Over the years \$2.9 M in credits have been approved under the current structure of the ICC. Extending the ICC

to taxpayers other than individuals could potentially increase the certification of new credits in future years. However, since data describing the investment behavior of EZ businesses is unavailable, the fiscal impact resulting from this change is indeterminable. Credits for investment that are encouraged by the change made under this bill presumably are not a revenue loss to the state. However, if the investment would have occurred in the absence of the change made by this bill, the net impact would be the total credits claimed by investors.

The ICC is equal to a maximum of 30% of the equity investment. The credit percentage allowed (up to 30%) varies depending upon the type of investment, the type of business, and the number of jobs created. The credit is nonrefundable, but a taxpayer may carry over excess credits to subsequent taxable years.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

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