

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7014**  
**BILL NUMBER: HB 1367**

**NOTE PREPARED: Jan 2, 2006**  
**BILL AMENDED:**

**SUBJECT:** Limited Liability for 501(c)(3) Organizations.

**FIRST AUTHOR:** Rep. Thomas  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED: X GENERAL**  
**X DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill limits the liability of a small nonprofit organization to the liability limits in the Indiana Tort Claims Act, and provides that a small nonprofit organization is not liable for punitive damages. The bill also provides that a small nonprofit organization may be liable for damages in excess of the Tort Claims Act liability limits if the act or omission: (1) involves the provision of medical care by a health care provider; (2) involves the negligent operation of an automobile; or (3) constitutes gross negligence or willful or wanton misconduct.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill could decrease revenue to the Violent Crime Victims Compensation Fund (VCVC Fund). The amount of the decrease is indeterminable.

Under current law, a small nonprofit organization could be liable for punitive damages in any civil action. This bill limits when punitive damages may be sought in a tort claim against a small nonprofit organization. The bill provides that in a tort claim, punitive damages may only be sought when the claim involves an act or omission which:

- (1) involves the provision of medical care by a health care provider;
- (2) involves the negligent operation of an automobile; or
- (3) constitutes gross negligence or willful or wanton misconduct.

When punitive damages are awarded in a civil action, the punitive damages are required to be distributed 25% to the person to whom the damages were awarded and 75% to the VCVC Fund. Therefore, limiting the types of actions where punitive damages could be sought against a small nonprofit organization could decrease the amount of punitive damage awards which are distributed to the VCVC Fund. The impact ultimately depends on the number of actions that are initiated for which punitive damages could have been sought under current law.

*Background:* The bill defines a small nonprofit organization as an organization:

- (1) with annual revenue of \$500,000 or less; and
- (2) that is:
  - (A) tax exempt under Section 501(c)(3) of the Internal Revenue Code;
  - (B) a community mental retardation and other developmental disabilities center (as defined in IC 12-29-3-6);
  - (C) a rehabilitation center (as described in IC 12-12-3); or
  - (D) a faith-based organization.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Adam Brown, 317-232-9854.