

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7047

BILL NUMBER: HB 1402

NOTE PREPARED: Jan 9, 2006

BILL AMENDED:

SUBJECT: Scott County Option Income Tax for Jail.

FIRST AUTHOR: Rep. Oxley

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides additional County Option Income Tax revenue in Scott County to fund the financing, construction, acquisition, improvement, renovation, or equipping of jail facilities. The bill provides that the county fiscal body may increase the County Option Income Tax rate up to an additional 0.25% of adjusted gross income of county taxpayers.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue and the State Budget Agency would be required to adjust Scott County's COIT certified distribution for the year following a rate increase under the bill. The Department and the Budget Agency should be able to carry out this provision within their existing resources.

Any overpayments of the distribution due to the proposed rate increase would be covered by the state General Fund until adjusted in the subsequent year distributions.

Explanation of State Revenues:

Explanation of Local Expenditures: Scott County would use additional revenue generated by a rate increase in COIT to finance, construct, acquire, improve, renovate, or equip their county jail. The county treasurer would establish a county jail revenue fund for the receipt of the additional revenue.

Explanation of Local Revenues: *Summary:* If the Scott County Council determines that additional COIT

revenue is needed to fund jail improvement capital projects, the Council would be allowed to increase the county's COIT rate by 0.25%.

If an ordinance to increase the rate were adopted by the Council before April 1 in a given year the additional rate would be effective on July 1 of the same year. If the ordinance were adopted after March 31 in a given year, the rate would be effective July 1 in the year following adoption.

In either adoption scenario, Scott County would begin to receive revenue from the tax in the immediately following year. Therefore, if Scott County were to adopt the additional COIT rate in CY 2006, the county would begin to receive revenue from the rate increase in January 2007.

If a 0.25% rate increase were effective on July 1, 2006, the additional rate is estimated to generate approximately **\$0.82 M** in CY 2007, **\$0.85 M** in CY 2008, and **\$0.87 M** in CY 2009.

All revenue generated by an additional tax rate would be set aside for the jail before the certified distribution is divided between the civil taxing units in the County.

Background: Under the bill, Scott County would be authorized to maintain a combined COIT and County Economic Development Income Tax (CEDIT) rate of 1.5%. Under current law, with a few exceptions, the maximum combined rate of COIT and CEDIT is 1.00%.

Scott County received a certified COIT distribution of \$3.2 M in CY 2006 at a 1.00% rate. The County also received a certified CEDIT distribution of \$479,316 in CY 2006 at a 0.16% rate.

State Agencies Affected: State Budget Agency; Department of State Revenue.

Local Agencies Affected: Scott County.

Information Sources: State Budget Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2005*.

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