

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

**LS 6353**

**BILL NUMBER:** HB 1037

**NOTE PREPARED:** Feb 6, 2007

**BILL AMENDED:**

**SUBJECT:** Home Energy Assistance Sales Tax Exemption.

**FIRST AUTHOR:** Rep. Micon

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FIRST SPONSOR:**

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill makes the Low-Income Home Energy Assistance Program (LIHEAP) Sales Tax exemption permanent.

**Effective Date:** June 30, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** *Summary Information:* This bill makes the Sales Tax exemption for certain sales of home energy permanent. The exemption applies to sales of home energy involving:

- (1) energy which is in the form of electricity, oil, gas, coal, propane, or any other fuel for use as the principal source of heating or cooling in residential dwellings; and
- (2) a person who is acquiring the energy through a program administered by the state to supply home energy through the Low-Income Home Energy Assistance Block Grant under 42 U.S.C 8261 et seq.

Making this Sales Tax exemption permanent for these home energy sales is expected to reduce state Sales Tax revenue by approximately \$2.45 M each fiscal year. This exemption is currently available only for FY 2007, and this bill would make the exemption permanent. However, it should be noted that the extent of this reduction will depend in large part on the federal appropriations for LIHEAP.

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%).

A \$2.45 M reduction in Sales Tax revenue would reduce the annual distributions to these funds by the following amounts.

<b>Fund</b>	<b>Reduction</b>
Property Tax Replacement Fund	\$ 1,225,000
State General Fund	1,205,204
Public Mass Transportation Fund	15,557
Commuter Rail Service Fund	3,430
Industrial Rail Service Fund	809
<b>Total</b>	<b>\$ 2,450,000</b>

*Background Information:* This Sales Tax exemption was created in HEA 1001-2006, but was only applicable to transactions occurring after June 30, 2006, and before July 1, 2007. General Fund money is not used to support the energy assistance programs administered by the Lieutenant Governor's Office. Funding for the state's energy assistance program comes from federal sources and dedicated state funds.

Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program (EAP) and the Weatherization Assistance Program (WAP). The program is primarily funded through the federal LIHEAP block grant. In accordance with federal guidelines, the state uses about 90% of the federal appropriation for energy assistance programs, and the remaining funds are used for weatherization programs.

The state's energy assistance program provides grants for winter heating assistance and summer cooling assistance. Additionally, the program provides eligible persons with a one-time credit, as necessary, to prevent heat from becoming disconnected. Indiana's program currently provides assistance to persons within 150% of the federal poverty guidelines.

Energy assistance funds are distributed through a statewide network of 24 Community Action Agencies (CAA). In accordance with federal law, CAAs and the state retain a percentage of the federal grant money to cover administrative costs.

Over the past three fiscal years, federal LIHEAP benefits have provided approximately \$38.2 M in direct benefits to Indiana residents each year.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue; Lieutenant Governor's Office.

**Local Agencies Affected:**

**Information Sources:** Tom Scott, Program Specialist, Office of the Lieutenant Governor, 232-7015; U.S. Department of Health and Human Services, Administration for Family and Children, Division of Energy Assistance.

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