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FISCAL IMPACT STATEMENT

LS 6800
BILL NUMBER: SB 253

NOTE PREPARED: Feb 6, 2007
BILL AMENDED: Jan 29, 2007

SUBJECT: Utility Receipts Tax.

FIRST AUTHOR: Sen. Becker
FIRST SPONSOR: Rep. Klinker

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill exempts gross receipts derived from the sale of utility services between members of a controlled group of corporations or an affiliated group from the Utility Receipts Tax if: (1) the seller is the producer of the utility service and the purchaser is the end user; and (2) the seller and the purchaser exist at the same location or adjacent locations.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Utility Receipts Tax (URT) forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: (Revised) This bill will reduce URT collections by exempting gross receipts derived from the sale of utility services between members of a controlled group of corporations or an affiliated group. The amount of the reduction is indeterminable, and will ultimately depend upon the number of corporations which:

- (1) have taxable gross receipts under the URT;
- (2) are members of a controlled or affiliated group of corporations; and
- (3) are part of a transaction where:
 - (A) the seller is the producer of the utility service;
 - (B) the purchaser is the end user of the utility service; and
 - (C) the seller and the purchaser exist at the same, or adjacent locations.

The bill defines affiliated group by referring to the definition in Section 1504 of the Internal Revenue Code. The bill defines a controlled group of corporations by referring to the definition in Section 1563 of the Internal Revenue Code.

Background: The URT rate is 1.4%. The tax is imposed on all domestic and foreign corporations' total gross receipts from all utility services consumed within Indiana regardless of the point of generation or transmission across state lines. Utility service means the furnishing of any of the following: electrical energy; natural gas used for heat, light, cooling, or power; water; steam; sewage; or telecommunication services.

Currently, taxable receipts under the URT include the following: the retail sale of utility services for consumption; judgments or settlements as compensation for lost retail sales; sales to a reseller if the utility is used in hotels, mobile home parks, or marinas; sales of water or gas to another for rebottling; installation, maintenance, repair, equipment, or leasing services provided to a commercial or domestic consumer that are directly related to the delivery of utility services; and all other receipts not segregated between retail and non-retail transactions.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Internal Revenue Code; <http://www.fourmilab.ch/uscode/26usc/ustax.html>.

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