LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7696
BILL NUMBER: SB 500

NOTE PREPARED: May 4, 2007
BILL AMENDED: Apr 29, 2007

SUBJECT: Taxation.

FIRST AUTHOR: Sen. Kenley
FIRST SPONSOR: Rep. Kuzman

BILL STATUS: Enrolled

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

IMPACT: State & Local

Summary of Legislation: *Affordable Housing Funds:* This bill authorizes county fiscal bodies to adopt an ordinance authorizing a recording fee of $2.50 for the first page and $1 for each additional page. The bill specifies that 60% of the fee shall be deposited in affordable housing funds in the county (or the Housing Trust Fund in Marion County) and that 40% of the fee shall be distributed to the Treasurer of State for deposit in the Affordable Housing and Community Development Fund. The bill also provides that money in the state Affordable Housing and Community Development Fund may not be used for rent supplements.

Sales Tax - Utility Distribution Equipment: This bill restricts a Sales Tax exemption available under current law for an electric utility that purchases distribution equipment or transmission equipment.

Sales Tax - Hotel and Restaurant Utility Purchases: The bill restricts a Sales Tax exemption available under current law for a hotel or restaurant that purchases electricity, water, gas, or steam.

Sales & Use Tax - Various Aircraft Provisions: The bill also restricts a Sales Tax exemption available under current law for an aircraft lessor that purchases an aircraft for rental or leasing. The bill provides a limited Use Tax exemption for an aircraft that is titled or registered in another state or country and is temporarily brought to Indiana to be repaired, refurbished, remanufactured, or subjected to a prepurchase evaluation. This bill expands the limited Sales Tax exemption under current law for a transaction involving an aircraft to include transactions in which an aircraft that is purchased by a nonresident remains in Indiana for up to 30 days after the aircraft is repaired, refurbished, or remanufactured.

Other Aircraft Provisions: The bill also expands the exemption from the aircraft registration requirements under the aircraft license excise tax statute for a nonresident who bases an aircraft with a dealer while the aircraft is being repaired, remodeled, or refurbished to include aircraft that are based with a person that has been issued a repair station certificate by the Federal Aviation Administration.

Sales Tax - Retail Merchant Collection Allowance: This bill provides for a graduated three-tier Sales and Use Tax collection allowance for retail merchants.

Sales Tax - Retail Merchant Registration: This bill repeals a provision of the Sales Tax statute that requires certain out-of-state merchants making sales to customers in Indiana to register as retail merchants and remit Sales and Use Tax.

Sales Tax - Public Transportation Exemption Verification: The bill provides that a retail merchant may verify that the sale of property used or consumed in providing public transportation is exempt from Sales Tax by obtaining certain information from the purchaser. The bill allows a retail merchant that sold property to a person that used or consumed the property in providing public transportation to verify that the sale was exempt from Sales Tax by using the information contained in form ST-135 for the transaction.

Venture Capital Investment Tax Credit: The bill also provides that a taxpayer is not entitled to a Venture Capital Investment Tax Credit for providing investment capital after December 31, 2012. (Current law provides that a taxpayer is not entitled to a credit for providing investment capital after December 31, 2008.)

Energy Savings Tax Credit: The bill provides that an Energy Savings Tax Credit may not be awarded for taxable years beginning after December 31, 2010.

Professional Tax Preparer Filings: This bill specifies conditions under which a professional tax return preparer must file client returns electronically.

Tax Payments by Electronic Funds Transfer: This bill decreases various periodic tax liability thresholds at which taxpayers are required to make tax payments by electronic funds transfer from $10,000 to $5,000. The bill also provides that a tax payment made by electronic funds transfer is considered made on the date the taxpayer issues the payment order for the electronic funds transfer.

Accrual of Interest on Inheritance Tax Refunds: This bill provides for the accrual of interest at the rate of 6% per annum on Inheritance Tax refunds that are not processed within 90 days by the Department of State Revenue.

Cigarette Tax - Stamp Discount: The bill also provides that the cigarette stamp discount to distributors is one and two-tenths cents per individual package of cigarettes.

Cigarette Tax - Credit for Uncollectible Debt: The bill provides a Cigarette Tax credit to a cigarette distributor for an uncollectible debt to the extent that the uncollectible debt: (1) is included in the cost of Cigarette Tax stamps purchased by the distributor; and (2) resulted from a transfer of cigarettes to a retailer.

Tobacco Products Tax - Deduction for Uncollectible Debt: The bill also provides a Tobacco Tax deduction to a tobacco products distributor from the Tobacco Products Tax for uncollectible debts resulting from wholesale sales of tobacco products.

Taxpayer Refund Hearing Requests: This bill provides that when a taxpayer claiming a refund requests a hearing on the claim, the Department of State Revenue must hold the requested hearing.

NFL Tax Exemption: The bill provides a tax exemption for the National Football League Super Bowl and related activities.

County Wheel Taxes: This bill also provides that for County Wheel Taxes adopted after June 30, 2007, an owner of a commercial motor vehicle paying an apportioned registration to the state under the International Registration Plan (IRP) shall pay an apportioned Wheel Tax calculated by dividing in-state actual miles by total fleet miles generated during the preceding year.

AGI Tax - Composite Return Filings: This bill requires a partnership to file a composite Adjusted Gross Income Tax return on behalf of all nonresident individual partners. The bill also requires an S corporation to file a composite AGI Tax return on behalf of all nonresident individual shareholders.

AGI Tax - Captive Real Estate Investment Trust: The bill requires corporations to add back dividends paid to shareholders of a captive real estate investment trust.

Enterprise Zones: This bill makes changes concerning enterprise zones.

Estimated Taxes; Payment Thresholds: This bill increases the thresholds for mandatory estimated income tax payments.

Estimated Taxes; Payment Calculation: This bill allows a corporation to use its annualized income to calculate the amount of its estimated AGI tax payments.

Tax Credit Repayments for Non-Qualified 529 Plan Withdrawals: The bill also provides that an account owner of a college choice 529 education savings plan must repay a portion of a tax credit if any nonqualified withdrawal is made from the plan. This bill includes as nonqualified withdrawals any withdrawals made from an account that is terminated within 12 months after the account is opened, rollovers to another qualified tuition program under Section 529 of the Internal Revenue Code that is not a college choice 529 education savings plan account, and other withdrawals that do not meet the requirements of a qualified withdrawal.

Loans to School's with Property Tax Shortfalls: The bill also allows the State Board of Education to loan money to an eligible school corporation that has experienced a shortfall of at least 5% in the collection of Property Tax levies for the eligible school corporation's general fund because of certain actions.

Rate of Interest on Excess Tax Payments: The bill specifies that the rate of interest paid by the Department of State Revenue on excess tax payments must be the same as the rate of interest paid by a taxpayer for failing to pay the full amount of tax by the due date for a tax return.

Lake County Innkeeper's Tax: This bill reallocates Lake County innkeeper's tax revenue.

Effective Date: Upon Passage; January 1, 2007 (retroactive); March 1, 2007 (retroactive); July 1, 2007; December 16, 2007; January 1, 2008.

Explanation of State Expenditures: *Summary of Expenditures:* It is estimated that this bill will result in overall administrative cost savings for the Department of State Revenue (DOR). All of these provisions will cause the DOR to amend forms, rules and procedures related to administration of the corporate and individual Adjusted Gross Income (AGI) taxes, the Sales Tax, the Inheritance Tax, the Financial Institutions Tax, the Motor Fuel Taxes, and the Cigarette Tax. Although, it is estimated that these increased costs will be offset by the administrative costs savings resulting from provisions in the bill.

The provisions of the bill estimated to result in administrative cost *savings* are as follows:

- *Tax Payments by Electronic Funds Transfer;*
- *Accrual of Interest on Inheritance Tax Refunds;*
- *DOR Employee Incentives;*
- *AGI Tax - Nonresident Returns*;
- *Professional Tax Preparer Filings.*

The following provisions could result in an *increase* in administrative costs to the DOR.

- *Sales & Use Tax - Various Aircraft Provisions;*
- *Sales Tax - Public Transportation Exemption Verification;*
- *Sales Tax - Retail Merchant Collection Allowance;*
- *Energy Savings Tax Credit*;
- *NFL Tax Exemption;*
- *Tax Credit Repayments for Non-Qualified 529 Plan Withdrawals;*
- *Cigarette Tax - Stamp Discount;*
- *Cigarette Tax - Credit for Uncollectible Debt*
- *Tobacco Products Tax - Deduction for Uncollectible Debt*
- *Estimated Tax Payment Calculation.;*
- *Taxpayer Refund Hearing Requests;*
- *Venture Capital Investment Tax Credit*

The impact of the following provisions on the administrative costs of the DOR are indeterminable.

- *Sales Tax - Utility Distribution Equipment;*
- *Sales Tax - Hotel and Restaurant Utility Purchases;*
- *Sales Tax - Retail Merchant Registration*

Indiana Education Savings Authority: The bill requires the Executive Director of the Authority to annually submit to the DOR a copy of all information returns or statements issued to taxpayers with respect to non-qualified withdrawals made from an Indiana College Choice 529 Investment Plan account for the taxable year; or account closings for the taxable year.

Explanation of State Revenues: *Affordable Housing:* The state Affordable Housing and Community Development Fund (AHCDF) would receive 40% of the additional revenues if a county with an affordable housing fund adds the document fees established by the bill for affordable housing. The new document fees are $2.50 for the first page and $1 for each additional page for each recording by the county recorder. (Note: 60% of the revenue would be distributed to the adopting county's affordable housing fund.)

The amount of revenue that could potentially flow to the state AHCDF will depend on the actions of the local units in adopting the new document fees. Assuming the four counties that currently have affordable housing funds (Allen, Marion, Monroe, and Vanderburgh) adopt the additional document fees, the revenue to the state AHCDF could potentially total $1.1 M annually.

The Indiana Affordable Housing and Community Development Authority collected information on the number of documents recorded in about 20 counties. The table below shows the number of documents recorded in counties with affordable housing funds taken from this information. Based on these 2005 recording totals, the new document fees would total about $2.8 M.

County	Mortgage	Deed	Release	Other
Allen	27,696	18,549	30,510	8,805
Marion	55,703	46,501	40,580	14,272
Monroe	8,383	5,993	10,000	1,212
Vanderburgh	12,166	8,685	13,364	5,130
Total	103,948	79,728	94,454	29,419
The Indiana Affordable Housing and Community Development Authority estimated that mortgages are 20-page documents, deeds are 2-page documents , and releases and other documents consist of one page.				

NFL Tax Exemption: The bill exempts from all state and local taxes (1) property owned by the NFL and its affiliates, (2) revenue of the NFL and its affiliates, and (3) expenditures and transactions of the NFL and its affiliates in connection with a Super Bowl, and resulting from holding a Super Bowl in Indiana or making preparatory advance visits to Indiana in connection with the Super Bowl. The amount of state taxes from the NFL and its affiliates that could potentially be foregone due to this provision is indeterminable. However, this could be offset by a potentially significant increase in other tax revenue generated from this event.

Venture Capital Investment (VCI) Tax Credit: The bill extends the VCI Tax Credit by four years by changing the current expiration date from December 31, 2008, to December 31, 2012. The bill would allow the Indiana Economic Development Corporation (IEDC) to award up to $12.5 M annually in new tax credits for four additional years beginning in 2009. So far, the IEDC has awarded $7.4 M in VCI credits for 2004, $3.4 M in VCI credits for 2005, and $1.9 M in VCI credits for 2006. In addition, 296 individual income taxpayers claimed $2.6 M in VCI credits on 2005 tax returns. The amount of VCI credits claimed in 2005 by corporate income taxpayers is unknown.

Energy Savings Tax Credit: The bill sunsets the Energy Savings Tax Credit (enacted in HEA 1722-2007) on December 31, 2010. Thus, the tax credit would be effective for expenditures on energy star heating and cooling equipment in tax year 2009 and 2010 only. HEA 1722-2007 limits to $1.0 M the aggregate amount of credits that may be allowed in a state fiscal year.

The tax credit is nonrefundable and applies to expenditures on energy star heating and cooling equipment by individual and corporate taxpayers. However, to be eligible for the tax credit a business must be a "small business." The tax credit is equal to the lesser of 20% of the amount of expenditures on such equipment during the taxable year or $100. Data on annual energy star purchases in Indiana, purchase prices, and average net tax liabilities for individual and corporate taxpayers suggests that the annual fiscal impact of the credit will reach the $1.0 M annual maximum each year, with the fiscal impact beginning in FY 2009.

Sales Tax - Utility Distribution Equipment; Hotel and Restaurant Utility Purchases: To the extent that restricting these exemptions leads to less exemptions being awarded, there will be an indeterminable increase in Sales tax collections.

Sales Tax - Retail Merchant Collection Allowance: The bill provides for a graduated Sales and Use Tax collection allowance for a retail merchant. The current rate is 0.83%, and the new rates are based on gross receipts of the merchants and listed in the table below. This table represents a simulation of the change in the collection allowances based on 2005 Sales Tax return data provided by the DOR:

Annual Gross Receipts	Rate	Number of Taxpayers	Allowance Total under Current Rate (in millions)	Allowance Total under New Rate (in millions)	Impact on Sales Tax Collections (in millions)
Less than $60,000	0.83%	162,652	$5.1	$5.1	$0
Greater than $60,000 but less than $600,000	0.60%	6,283	$8.2	$5.9	$2.3
Greater than or equal to $600,000	0.30%	913	$20.4	$7.4	$13.0
	TOTAL	**169,848**	**$33.7**	**$18.4**	**$15.3**

The actual impact on revenue collections will be dependent on Sales Tax transactions beginning July 1, 2007. 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%).

Sales & Use Tax - Various Aircraft Provisions: These provisions of the bill could result in an indeterminable impact in Sales and Use Tax. The bill provides for a new Use Tax exemption, and expands the Sales Tax exemption, for aircraft purchased by nonresidents. Any potential decrease in Sales or Use Tax revenue could be offset by a potential increase in Adjusted Gross Income Tax if this exemption provides an incentive for more repair work to be conducted in Indiana. This bill also restricts the exemption provided for purchasing an aircraft for rental or leasing.

<u>Rental or Lease Restriction:</u> The bill provides that, after July 1, 2007, in order to qualify for the Sales Tax exemption for purchase of an aircraft for rental or lease, the annual amount of lease revenue derived from leasing the aircraft must be equal to or greater than:

(1) 10 % or more of the original cost or book value of the aircraft if the original cost was less than $1 M; or
(2) 7.5 % or more of the original cost or book value of the aircraft if the original cost was at least $1 M.

The impact of this provision is indeterminable. It will ultimately be determined by the number of exemptions allowed under this amended provision versus the number of exemption allowed under current law.

<u>Use Tax:</u> The bill provides that Use Tax may not be imposed on the exercise of any right or power over an aircraft if that aircraft is:

(1) titled, registered, or based in another state or country;

(2) delivered to Indiana by or for a nonresident owner or purchaser;
(3) delivered to Indiana for the sole purpose of repair, refurbishment, remanufacture, or prepurchase evaluation (as defined in the bill); and
(4) transported out of Indiana after completion of any work listed in item (3).

Sales Tax: The bill also amends the Sales Tax exemption for an aircraft purchased by a nonresident. Under current statute an aircraft is exempt from Sales Tax if:

(1) purchased by a nonresident;
(2) transported out of Indiana within 30 days of delivery; and
(3) will be titled or registered for use in another state or country and not titled or registered in Indiana.

The bill moves the exemption to a new code cite, and adds certain provisions to the exemption requirements. The bill adds the ability for a nonresident purchaser to receive the exemption for an aircraft if it is transported out of Indiana within 30 days after completion of a repair, refurbishment, or remanufacture of the aircraft. The bill also adds that an exemption may be granted if the aircraft will be based in another state or country (in the case of a state or country that does not require an aircraft to be titled or registered.)

Sales Tax - Public Transportation Exemption Verification: This provision of the bill is expected to have a minimal fiscal impact on Sales and Use Tax collections. This bill provides that a retail merchant may verify an exempt sale of tangible personal property used or consumed in providing public transportation by obtaining certain information from the purchaser. The bill also provides that if a retail merchant previously sold tangible personal property to a person under this exemption for property consumed in providing public transportation and provides proof as previously contained in DOR form ST-135, the retail merchant may request a refund or satisfaction of outstanding liability from the DOR.

The impact of these changes will ultimately be determined by the actions of the DOR, retail merchants, and purchasers. These provisions do not change the number of exempt purchases that could occur, bur rather, any impact will only be to the extent that these provisions allow purchasers to more easily obtain the exemption.

Sales Tax - Retail Merchant Registration: To the extent that repealing these registration and remittance requirements leads to fewer out-of-state merchants remitting Sales Tax, state revenues will decrease. Although, the impact of this provision is indeterminable. It must be noted that many out-of-state merchants now register to remit Sales Tax to various states under the Streamlined Sales Tax Agreement (SSTA).

Cigarette Tax - Stamp Discount: The bill also provides that the cigarette stamp discount to distributors is $0.012 per individual package of cigarettes. The current stamp discount is 1.2% of the $0.555 per pack tax rate. This change increases the stamp discount from the equivalent of approximately $0.0066 per pack (just over sixth-tenths of a cent), to 1.2 cents per pack. It is estimated that cigarette distributors will receive an additional $2.5 M in revenue from the increased discount. This will result in a loss to all funds included in the Cigarette Tax distribution formula.

Cigarette Tax - Credit for Uncollectible Debt & Tobacco Products Tax - Deduction for Uncollectible Debt: The bill provides a Cigarette Tax credit to a cigarette distributor for an uncollectible debt to the extent that the uncollectible debt: (1) is included in the cost of Cigarette Tax stamps purchased by the distributor; and (2) resulted from a transfer of cigarettes to a retailer. The bill also provides a Tobacco Tax deduction to a tobacco products distributor from the Tobacco Products Tax for uncollectible debts resulting from wholesale sales of tobacco products. These provision will decrease Cigarette Tax and Tobacco Products Tax collections by an indeterminable amount. The impact will ultimately be determined by the amounts of uncollectible debts incurred by distributors and wholesalers.

Tax Credit Repayments for Non-Qualified 529 Plan Withdrawals: The bill provides that the owner of an Indiana College Choice 529 Investment Plan account who claimed tax credits during the taxable year or a prior taxable year for contributions to the account, must repay the tax credits if the account owner makes any non-qualified withdrawal from the account. The bill requires the repayment to be made in the taxable year in which the non-qualified withdrawal is made.

The bill defines a "qualified withdrawal" as a withdrawal or distribution from an Indiana College Choice 529 Investment Plan account that is made:

(1) to pay for qualified higher education expenses, except when the savings plan is terminated within 12 months after the account is opened;
(2) as a result of the death or disability of an account beneficiary;
(3) because an account beneficiary received a scholarship that paid for the qualified higher education expenses, to the extent that the withdrawal or distribution does not exceed the amount of the scholarship; and
(4) by an Indiana College Choice 529 Investment Plan as a result of a transfer of funds by a plan from one third-party custodian to another.

The bill specifies that a qualified withdrawal does not include a rollover distribution or transfer of assets from an Indiana College Choice 529 Investment Plan to any other qualified tuition program under Section 529 of the Internal Revenue Code that is not an Indiana College Choice 529 Investment Plan.

Estimated Taxes; Payment Thresholds & Payment Calculation: The bill, beginning December 16, 2007, makes four changes relating to estimated income tax payments by individual and corporate taxpayers. It is estimated that some individual and corporate taxpayers could make smaller estimated payments in the first two quarters of CY 2008 as a result of these changes. Therefore, AGI Tax collections for FY 2008 could be less than what would have been collected under current law. Thus, the changes likely will result in a one-time indeterminable decrease in individual and corporate AGI tax collections in FY 2008. The impact of basing the penalty calculation on these annualized payments is indeterminable.

The total amount of AGI Tax that will ultimately be collected will not change, but the collections will not be reconciled until the individual and corporate taxpayers file their tax returns in April of 2009. There will not be a surplus of collections in FY 2009, but rather what AGI Tax that would have been collected in FY 2008 will be shifted to FY 2009, FY 2009 shifted to FY 2010, and so on. Please note, that depending on when the collections are deposited there could also be a decrease in the interest earned on AGI Tax collections.

The four changes made by the bill are as follows:

(1) The bill increases the annual tax liability threshold for requiring an individual taxpayer to make quarterly estimated income tax payments. The bill increases the threshold from $400 to $1,000.

(2) The bill increases the annual tax liability threshold for requiring a corporate taxpayer to make quarterly estimated income tax payments. The bill increases the threshold from $1,000 to $2,500.

(3) The bill allows a corporate taxpayer to make estimated AGI Tax payments equal to the lesser of: (a) 25%

of the corporation estimated AGI Tax liability for the taxable year as required under current statute; or (b) the annualized income installment calculated as provided in IRC Section 6655(e).

(4) The bill also provides that a penalty may not be assessed when a corporate estimated payment is equal to or exceeds: (a) 25% of the final tax liability for the taxpayer's previous taxable year; or (b) the annualized income installment (as calculated above). The annualized income installment penalty calculation option replaces the option to calculate the penalty under current law based on 20% of the final tax liability for the current taxable year. The impact of this change in the penalty calculation is indeterminable. Ultimately, the payment and income amounts of a particular corporation will determine whether a penalty is assessed.

AGI Tax - Composite Return Filings: The bill requires a partnership to file a composite Adjusted Gross Income Tax return on behalf of all nonresident individual partners; and requires an S corporation to file a composite AGI Tax return on behalf of all nonresident individual shareholders. The bill also imposes a new penalty of $500 on a partnership or S corporation that fails to comply with the composite return filing requirement. <u>The new requirement and penalty could potentially result in additional tax collections from nonresident partners or shareholder for which income currently may not be reported. However, the amount of additional collections these provisions might generate is indeterminable.</u>

AGI Tax - Captive Real Estate Investment Trust: The bill establishes an add back of deductions taken on a corporation's federal income tax return for dividends paid to shareholders of a "captive real estate investment trust"(REIT). <u>The amount of revenue that could potentially be captured due to the add back is indeterminable and dependent on the number of corporate taxpayers currently utilizing captive REITs.</u> Since the add back is effective beginning in 2008, the fiscal impact of this provision could commence in FY 2008 or FY 2009 depending upon its effect on quarterly estimated tax payments. The bill defines a captive REIT as a corporation, a trust, or an association:

(1) that is considered a REIT for federal income tax purposes under the Internal Revenue Code (IRC);
(2) that is not regularly traded on an established securities market; and
(3) in which more than 50% of the voting power, beneficial interests, or shares are owned or controlled, directly or constructively, by a single C-corporation.

A REIT is a corporation, trust or association that acts as an investment agent specializing in real estate and real estate mortgages. Under the IRC a REIT, unlike an ordinary corporation, is entitled to claim a deduction for dividends paid to shareholders against their ordinary income and net capital gains. A REIT must meet certain requirements as to ownership and organization, source of income, investment of assets, and distribution of income to shareholders.

An example of how a captive REIT may be utilized by a corporation to reduce its taxable income within a state is as follows. A retail corporation operates it's stores in Indiana but establishes both a REIT and a subsidiary property company that is the parent to the REIT. The REIT is controlled by the property company which owns the stores operated by the corporation in Indiana. The corporation pays rent to the REIT for its Indiana stores and deducts these rent payments as a business cost from its Indiana AGI. Both the REIT and its parent property company would be established in a state like Delaware that doesn't tax income distributed from either entity. The REIT is able to make tax deductible dividend distributions to the property company. Upon receiving the dividends from the REIT, the property company would then pay dividends to the parent the corporation that operates the stores in Indiana. The dividends paid from the subsidiary property company to the parent would not be included in the corporation's Indiana AGI.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Affordable Housing:* The bill allows counties that have affordable housing funds to adopt new document fees, with 60% of the fee revenue to be distributed on a per capita basis to the affordable housing funds of local units in the county. The new document fees are $2.50 for the first page and $1 for each additional page for each recording by the county recorder. The bill also allows a county with a consolidated city to adopt the new document fees, with 60% of the fee revenue to be deposited in the housing trust fund. (Note: The remaining 40% of document fee revenue is to be transferred to the State Treasurer for deposit in the state Affordable Housing and Community Development Fund.) Based on 2005 document totals (see *Explanation of State Revenues*), the new document fees could potentially generate about $1.7 M for the four counties that currently have affordable housing funds. The table below provides estimates of the fees that could potentially be collected by county.

County	Total Fee Collected	County Share (60%)
Allen	$758,673	$455,204
Marion	$1,497,498	$898,499
Monroe	$229,240	$137,544
Vanderburgh	$338,202	$202,921
Total	$2,823,613	$1,694,168
Totals based on the number of documents and pages recorded in 2005 from the Affordable Housing and Community Development Authority.		

County Wheel Taxes: Under current law, a county council may adopt a wheel tax and excise surtax. These taxes must be adopted at the same time. The surtax applies to cars, motorcycles, and light trucks that pay excise tax. The wheel tax applies to all other motor vehicles licensed to operate on roads. The wheel tax may be assessed at different rates for different classes of vehicles. The tax amounts range from $5 to $40 per vehicle.

Under this provision, in counties that adopt a wheel tax after June 30, 2007, the wheel tax amount will be apportioned on the basis of Indiana miles versus total miles for vehicles that are subject to registration under the IRP. This will reduce the potential revenue generated for the wheel tax in these counties by an indeterminable amount. Wheel tax revenue in counties that have adopted the tax before June 30, 2007 will not be affected.

Enterprise Zones: The bill makes several changes relating to the Enterprise Zone (EZ) Investment Deduction beginning with 2007 Pay 2008 property taxes. The potential impact on utilization of the Investment Deduction due to these changes is indeterminable. The changes are as follows:

(1) The bill provides that the Investment Deduction for qualified investment in an EZ located within an allocation area must be approved by the governing body of the allocation area. The number of EZs that intersect allocation areas is unknown.

(2) The bill extends the deadline for filing applications for the Investment Deduction from May 10th to May 15th each year. The bill also allows the county auditor to provide a 30-day extension for filing the application for the Investment Deduction, and allows the Urban Enterprise Association that operates an EZ to waive the failure to file a timely or complete application for the Investment Deduction.

(3) The bill allows a taxpayer to claim the Investment Deduction (up to the 10-year limit under current statute) for an assessment date after the expiration of the EZ in which the property where the qualified investment was made. This provision does not apply to property located in Indianapolis. The EZ Investment Deduction allows the increase in AV from qualified investment in real and/or personal property of an EZ business to be deducted for up to 10 years.

NFL Tax Exemption: The bill exempts the NFL and its affiliates from all local taxes in connection with or resulting from a Super Bowl held in Indiana. The bill also provides that the Marion County Admission Tax (equal to 6% of the price of admission to events at certain venues including Lucas Oil Stadium once it is open) does not apply to a Super Bowl. The amount of local taxes from the NFL and its affiliates and the amount of admission tax that could potentially be foregone due to these provisions is indeterminable. However, this could be offset by a potentially significant increase in other tax revenue generated from this event.

Other Aircraft Provisions: The bill also expands the exemption for nonresidents from registering an aircraft for the purposes of imposing the Aircraft License Excise Tax (ALET). The bill adds repair station (as defined in the bill) to the list of places a nonresident may base an aircraft for repair, refurbishment, or remodeling in Indiana for more than 60 days without registering the aircraft for the purposes of imposition of the ALET. Currently, an aircraft may only be exempt from this registration if the aircraft is based for repair, refurbishment, or remodeling in Indiana with a dealer. Please note that a nonresident only needs to complete the ALET registration if the aircraft will be based in Indiana for more than 60 days.

ALET revenues are distributed on a quarterly basis to the county where the aircraft is usually located when it is not being operated. However, in Allen County, the funds go to the Ft. Wayne Airport Authority quarterly.

In FY 2006, there was approximately $595,000 in ALET collections. The weight, class, and age of the aircraft determine taxes owed. Revenues are distributed on a quarterly basis to the county where the aircraft is usually located when it is not being operated. However, in Allen County, the funds go to the Ft. Wayne Airport Authority quarterly.

Lake County Innkeeper's Tax: The bill changes the distribution of the Lake County Innkeepers Tax. Under current statute, the first $1.2 M in annual revenue is divided between: (1) the Lake County Convention and Visitors Bureau; (2) IU-Northwest for medical education and allied health education programs; (3) Lake County cities and towns for economic development projects; (4) Purdue University-Calumet for nursing education programs; and Gary and Hammond for convention facilities. The bill increases this distribution to $1.25 M beginning in CY 2008, and changes the distribution percentages applicable to these entities. The table below summarizes the impact of the distribution changes.

The distribution change will shift $50,000 from distributions to: (1) the Lake County convention, tourism, and visitor promotion fund; (2) Purdue University-Calumet for nursing education; and (3) IU-Northwest for allied health education programs. Under current statute, these distributions are made from the annual Innkeepers Tax revenue exceeding the first $1.2 M. Under the bill, these distributions will be made from the annual tax revenue exceeding the first $1.25 M.

Recipient	Current Share	Current Amount	Proposed Share	Proposed Amount
Lake County CVB	35%	$420,000	36%	$450,000
IU-Northwest	44.33%	531,960	42.77%	534,625
Lake County Cities and Towns	9%	108,000	9.68%	121,000
Purdue Univ.-Calumet	9%	108,000	8.88%	111,000
Gary & Hammond Convention Facilities	2.67%	32,040	2.67%	33,375
Total	100%	$1,200,000	100%	$1,250,000

In addition, the bill changes the distribution of the amount for Lake County cities and towns. Current statute provides for Gary, Hammond, and E. Chicago to each receive 10% shares of this revenue, with the remaining cities and towns receiving 5% shares. The bill reduces the Gary, Hammond, and E. Chicago shares to 9% each. The amount distributed to each city would increase from $10,800 to $10,890 due to the increase in the total amount distributed under the bill. The bill also provides that the remaining 73% is divided equally between the remaining cities and towns in Lake County. There are four cities (besides Gary, Hammond, and E. Chicago) and 12 towns in Lake County to which this distribution would be made. This would result in an increase in the distribution amount for this group from $75,600 to $88,330, which would be divided equally among these cities and towns.

Loans to School's with Property Tax Shortfalls: The bill allows a school that a experiences at least a 5% shortfall in General Fund property tax collection to borrow the shortfall amount from the state Common School Fund the shortfall was the result of:
1. An erroneous assessed valuation provided tot the school.
2. Erroneous figures used to determine the school General Fund tax rate.
3. A changes in the assessed valuation as a result of appeals.
4. The payment of refunds that resulted from appeal.

The length of the loans are for 36 months. The loan would be repaid from the Debt Service Fund. The number if school that might qualify for the appeal is unknown and would vary form year to year, but few school have more that an 5% school fall in revenue. The Common School Fund had an unobligated reserve of about $14.5 M in FY 2006. Schools can currently request and excess levy appeal to cover a General Fund shortfall of revenue so the provision could spread the increase over three years.

State Agencies Affected: Department of State Revenue; Indiana Education Savings Authority; Treasurer of State; Affordable Housing and Community Development Authority; IU-Northwest; Purdue University-Calumet.

Local Agencies Affected: County Airport Authorities; Ft. Wayne Airport Authority; County recorders;

County assessors; Township assessors; County auditors. Counties with affordable housing funds. Cities and towns in Lake County. Local units with enterprise zones. Trial courts, local law enforcement agencies. Howard County.

Information Sources: Department of State Revenue, Sales Tax database; http://ihcda.in.gov/forms/Development_Fund_Report.pdf; Joseph Palus, 317- 233-1813; 2006 Control Board Activity Report; Michael Frick, 317-232-6260.J. Barry Wood, Director, Assessment Division, DLGF, 317-232-3773; Cindy Land, Marion County Treasurer's Office, 317-327-4040.Gretchen White, Indiana Economic Development Corporation, (317) 234-3997. Bob Walls, Department of State Revenue, (317) 232-2104. Bill McNary, D and R International, 301-588-9387. U.S. EPA and U.S. Department of Energy, www.energystar.gov.

Fiscal Analyst: Adam Brown, 317-232-9854; Jim Landers 317-232-9869; Karen Firestone, 317-234-2106.