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FISCAL IMPACT STATEMENT

LS 6696

BILL NUMBER: SB 267

NOTE PREPARED: Dec 27, 2007

BILL AMENDED:

SUBJECT: Income Tax Deduction or Credit for Property Tax.

FIRST AUTHOR: Sen. Charbonneau

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that, for purposes of the state income tax deduction for property taxes and the state income tax credit for property taxes, an individual may file an election with the department of state revenue to have property taxes that were for the 2007 taxable year but were paid in 2008 be considered as having been paid in 2007 if the due date for payment of the property taxes is after December 31, 2007.

Effective Date: January 1, 2008 (retroactive).

Explanation of State Expenditures: *Department of State Revenue (DOR)* - The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes in the tax credit and tax deduction. The DOR's current level of resources should be sufficient to implement these changes. The December 6, 2007, state vacant position report indicates the DOR has 118 vacant full-time positions.

Explanation of State Revenues: *Summary-* The bill allows a taxpayer to file an amended 2007 tax return to claim additional 2007 property taxes paid in 2008. This bill could potentially shift revenue loss that would otherwise be generated by (1) the homeowner's residential property tax deduction and (2) the Lake County residential income tax credit from FY 2008 to FY 2009. The bill will not result in additional revenue loss to the state from what was anticipated.

Background - Since the bill's provisions are temporary, effective only for 2007 property taxes paid in 2008, any potential shift in annual revenue loss could happen only in FY 2009. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited

in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties with local option income taxes may experience a revenue shift from one fiscal year to another in the event property tax bills are delayed. Only revenue attributable to the homeowner's residential property tax deduction would cause this local shift.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: Indiana Department of Revenue, <http://www.in.gov/dor/>

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