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FISCAL IMPACT STATEMENT

LS 6696

BILL NUMBER: SB 267

NOTE PREPARED: Jan 29, 2008

BILL AMENDED: Jan 24, 2008

SUBJECT: Income Tax Deduction for Property Tax.

FIRST AUTHOR: Sen. Charbonneau

FIRST SPONSOR: Rep. E. Harris

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that an individual may claim a deduction for state income tax purposes for property taxes that: (1) were imposed on the individual's principal place of residence for the March 1, 2006, assessment date or the January 15, 2007, assessment date; (2) are due after December 31, 2007; and (3) are paid in 2008 on or before the due date for the property taxes.

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 January 24, 2008, state vacant position report indicates the DOR has 112 vacant full-time positions.

Explanation of State Revenues: (Revised) *Summary-* The bill allows a taxpayer to claim a deduction for 2007 property taxes paid in 2008. The taxpayer may only claim this deduction in taxable year 2008. This bill could potentially shift revenue loss that would otherwise be generated by the homeowner's residential property tax deduction 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: (Revised) 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.

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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