

**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 7539**

**BILL NUMBER: SB 514**

**NOTE PREPARED: Jan 10, 2009**

**BILL AMENDED:**

**SUBJECT:** Employee Certification Tax Credit.

**FIRST AUTHOR:** Sen. Yoder

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides that when an employee receives certification of new knowledge or skills that results in the payment of higher wages to the employee, the employer is entitled to a tax credit against the employer's state tax liability for a taxable year if the employer pays certain qualified wages to the employee in the taxable year.

**Effective Date:** January 1, 2010.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) will incur additional administrative expenses related to changing tax forms, instructions, and computer programs to reflect the new tax credit for employee certification. The DOR will also have to make determinations of whether additional wages paid by an employer to an employee qualify for the credit. The bill also requires the Department of Workforce Development (DWD) to review these determinations. The current level of resources in both agencies should be sufficient to implement these tasks.

**Explanation of State Revenues:** This bill establishes the nonrefundable Employee Certification Credit which could potentially reduce state revenue from the Adjusted Gross Income (AGI) Tax, the Sales and Use Tax, the Financial Institutions Tax, and the Insurance Premiums Tax. The tax credit may be claimed by an employer for increased wages the employer pays to an employee after the employee receives an educational degree or certificate. The amount of credits that could potentially be claimed on an annual basis by employers is indeterminable, as the number of certification providers and the number of employees who might achieve certifications or degrees that would qualify an employer for credits is unknown. However, the annual credit total and resulting loss in revenue could be substantial. The tax credit is effective January 1, 2010, and could potentially begin affecting revenue in FY 2011. The provisions for calculating the tax credit are provided

below.

(1) The degree or certificate received by an employee must: (a) be recognized by the DWD or an appropriate industry organization as evidence of an employee's acquisition of new knowledge or skills; and (b) result in the payment of higher wages to the employee.

(2) The bill provides a tax credit equal to 50% of the "qualified wages" paid by an employer during a taxable year. The bill defines "qualified wages" as the difference between the employee's wage after receiving the certification or degree and the employee's wage before receiving the certification or degree. If an employee obtains a certification or degree, and as a result has a pay increase of \$5,000, then this employee's credit would equal \$2,500.

The bill would allow an employer to claim the credit each taxable year the employee is employed after receiving the certificate or degree. The bill does not specify whether the qualified wage amount would be fixed, or if it would increase each year with year-to-year growth in wages. Since 2001, average annual pay in Indiana has grown at an annual average rate of about 2.8%.

The tax credit is nonrefundable, but the bill allows unused tax credits to be carried over to subsequent tax years. The credit may not be carried back. Since the credit is effective beginning in tax year 2010, the fiscal impact likely would not commence before FY 2011.

Revenue from the Individual and Corporate AGI tax, the Financial Institutions Tax, and the Insurance Premiums Tax is deposited in the state General Fund. Sales Tax revenue is deposited in the: state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOR; DWD.

**Local Agencies Affected:**

**Information Sources:** U.S. Department of Labor, Bureau of Labor Statistics Data, <http://data.bls.gov>.

**Fiscal Analyst:** Jessica Harmon, 317-232-9854.