

**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 6327

BILL NUMBER: SB 174

NOTE PREPARED: Dec 28, 2009

BILL AMENDED:

SUBJECT: Reduction of State Gross Retail and Use Tax Rate.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill reduces the State Gross Retail and Use Tax rate from 7% to 6% effective January 1, 2011, if the joint resolution adopted by the 115th General Assembly that proposes a constitutional amendment on property tax matters is not agreed to by the 116th General Assembly before November 3, 2010. It makes corresponding changes.

Effective Date: July 1, 2010.

Explanation of State Expenditures: This bill will result in an increase in administrative costs for the Department of State Revenue (DOR) by requiring the DOR to revise sales tax forms as well as update computer software. This increase is indeterminable and will depend on the amount of resources that will be required to incorporate the rate change. It is estimated that the DOR will be able to implement the provisions of this bill with its existing level of resources.

Explanation of State Revenues: This bill would reduce the Sales Tax rate to 6% effective January 1, 2011, if the joint resolution adopted by the 115th General Assembly that proposes a constitutional amendment on property tax matters is not agreed to by the 116th General Assembly before November 3, 2010.

This bill could potentially reduce revenue by \$325.8 M in FY 2011 and \$812.4 M in FY 2012. The amount for FY 2011 is adjusted for five months of collections due to the January 1, 2011, effective date of the rate change. The table below shows the impact on the revenue deposited in the funds that are currently part of the Sales Tax distribution formula based on the new distribution proposed in the bill. These estimates are based on the December 15, 2009, State Revenue Forecast.

Impact on Funds (\$M)		
	FY 2011	FY 2012
State General Fund	(\$322.77)	(\$804.82)
Public Mass Transportation Fund	(\$2.48)	(\$6.17)
Industrial Rail Service Fund	(\$0.11)	(\$0.27)
Commuter Rail Service Fund	(\$0.46)	(\$1.14)
TOTAL	(\$325.82)	(\$812.40)

Under the bill, Sales Tax revenue would be deposited in the state General Fund (99.067%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Fund (0.033%), and the Commuter Rail Service Fund (0.14%).

The bill also changes the retail merchant collection allowances received by retailers through the collection allowance after the decrease in the Sales Tax rate. This change has the same effective date as the rate decrease provision. The table below shows the current allowance percentages and the new percentages under the bill.

Retailer's Sales Tax Collection Allowance		
Gross Sales Tax Liability	Current %	New %
Not more than \$60,000	0.73%	0.83%
Greater than \$60,000, not more than \$600,000	0.53%	0.60%
Greater than \$600,000	0.26%	0.30%

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: December 15, 2009, *State Revenue Forecast*.

Fiscal Analyst: Diana Agidi, 317-232-9867.