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**FISCAL IMPACT STATEMENT**

**LS 6663**

**BILL NUMBER:** HB 1442

**NOTE PREPARED:** Dec 26, 2012

**BILL AMENDED:**

**SUBJECT:** Renter's Deduction.

**FIRST AUTHOR:** Rep. Moed

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the maximum renter's deduction for state income tax purposes from \$3,000 to \$6,000 for taxable years beginning after December 31, 2013.

**Effective Date:** July 1, 2013.

**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 modifications to the renter's deduction. The DOR's current level of resources should be sufficient to implement this change.

**Explanation of State Revenues:** *Summary* -The bill would reduce state Adjusted Gross Income (AGI) tax liabilities for individual taxpayers who pay more than \$3,000 in rent a year beginning in tax year 2014. The total annual revenue loss could be about \$47.2 M beginning in FY 2015. The estimate is based on Individual AGI tax returns filed for tax year 2010 and the 2011 American Community Survey data reported by the U.S. Census Bureau. Revenue from the Individual AGI tax is deposited in the state General Fund.

**Background Information** - The estimate was computed by taking the number of Individual AGI Tax returns from tax year 2010 claiming the maximum renter's deduction of \$3,000. In 2010, 502,610 returns claimed the maximum deduction out of a total of 627,130 returns claiming the deduction. Then, the group of 502,610 returns claiming the maximum deduction was distributed according to national contract rent data distribution published by the U.S. Census Bureau. A new renter's deduction amount was derived for those returns according to the contract rent distribution and the \$6,000 maximum deduction under the bill. The fiscal impact

is the difference between the total renter's deduction claimed in 2010 and the simulated total based on a \$6,000 maximum deduction.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Increasing the maximum renter's deduction amount to \$6,000 will decrease taxable income, so counties imposing local option income taxes (LOIT) could potentially experience a decrease in revenue. Using the median current LOIT rate of 1.45%, LOIT collections on a statewide basis could potentially be reduced by an estimated \$20.1 M annually beginning in FY 2015. The revenue loss will likely be greater in communities that have more expensive rent.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Counties with a LOIT.

**Information Sources:** LSA Income Tax Database; U.S. Census Bureau, Contract Rent, 2009 - 2011 American Community Survey.

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