

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7040

BILL NUMBER: SB 608

NOTE PREPARED: Feb 4, 2013

BILL AMENDED:

SUBJECT: Sales Tax Exemption and SSUTA Compliance.

FIRST AUTHOR: Sen. Kenley

BILL STATUS: As Passed Senate

FIRST SPONSOR: Rep. M. Smith

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Postage:* This bill provides a Sales Tax exclusion for postage.

Direct Mail Sourcing: The bill revises the sourcing rules under the Sales and Use Tax for advertising and promotional direct mail and other direct mail by creating two distinct categories of direct mail in compliance with the Streamlined Sales and Use Tax Agreement (SSUTA). It adds corresponding definitions.

Blood Glucose Monitoring Equipment: To comply with SSUTA, this bill also removes the separate Sales Tax exemption for blood glucose monitoring equipment and devices that are otherwise covered by the durable medical equipment exemption, under which durable medical equipment is exempt only if sold or rented under a prescription. (The exemption for blood glucose monitoring equipment will require a prescription.) The bill restates the Sales Tax exemption for blood glucose monitoring supplies, including measuring strips, lancets, and other similar diabetic supplies, to maintain the current exemption for these supplies regardless of whether they are sold under a prescription.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill could increase the DOR's administrative costs. DOR will need to amend Sales Tax forms and computer software to incorporate the bill's definitions and rules concerning postage, direct mail, and blood glucose monitoring items. It is estimated that the provisions of this bill can be implemented within the DOR's existing level of resources.

Explanation of State Revenues: *Postage:* The bill excludes postage from the Sales Tax. This change would

reduce Sales Tax revenue. Data are unavailable regarding postage cost and Sales Tax revenue attributable to postage, so the revenue loss from this change is indeterminable. However, the revenue loss from exempting postage could potentially be significant.

Under current statute, postage is included as part of taxable delivery charges. The bill specifies that delivery charges which are subject to Sales Tax do not include postage.

This change is not required for compliance with SSUTA.

Blood Glucose Monitoring Equipment and Supplies: The bill eliminates the Sales Tax exemption for blood glucose monitoring equipment and devices purchased without a prescription. This change would increase Sales Tax revenue to the extent that individuals currently purchase this equipment without a prescription and are unable to obtain a prescription to make such a purchase. Data on sales of this equipment are unavailable so the potential revenue gain from this change is indeterminable.

Under the bill, blood glucose monitoring equipment and devices purchased with a prescription would remain exempt from Sales Tax. And, blood glucose monitoring supplies such as measuring strips and lancets would also remain exempt from Sales Tax.

These changes are required to comply with SSUTA.

Direct Mail Sourcing: The bill distinguishes between “advertising and promotional direct mail” and “other direct mail” for purposes of the Sales Tax. The bill does not change the taxability or sourcing of direct mail, so the changes in the bill would not have a fiscal impact.

These changes are required to comply with SSUTA.

Background Information: The SSUTA is an effort by 44 states, including Indiana, to simplify Sales and Use Tax collection and administration by retailers and states. Indiana is one of 24 states that has passed conforming legislation. Part of the SSUTA’s strategy to simplify Sales and Use Taxes is to require all member states to have uniform tax definitions, sourcing rules, and exemption administration. This bill will make Indiana compliant with uniform definitions and sourcing rules regarding direct mail and conforms to the uniform exemption administration of blood glucose monitoring equipment and supplies.

Sales and Use Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

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

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Streamlined Sales Tax Governing Board, <http://www.streamlinedsalestax.org/>.

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