

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 7040

BILL NUMBER: SB 608

NOTE PREPARED: Mar 18, 2013

BILL AMENDED: Mar 14, 2013

SUBJECT: Sales Tax Exemption and SSUTA Compliance.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. M. Smith

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Direct Mail Sourcing*: This 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 Supplies: The bill removes a Sales Tax exemption for blood glucose monitoring equipment and devices. It also provides that the Sales Tax exemption for blood glucose monitoring supplies, including blood glucose meters, measuring strips, lancets, and other similar diabetic supplies, currently applicable to supplies furnished without charge will also apply to the sale of the supplies.

Effective Date: July 1, 2013.

Explanation of State Expenditures: (Revised) *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 direct mail. It is estimated that the provisions of this bill can be implemented within the DOR's existing level of resources.

Explanation of State Revenues: *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.

(Revised) *Blood Glucose Monitoring Supplies*: The bill repeals a current statute that provides a Sales Tax exemption for the sale of blood glucose monitoring equipment and devices regardless of whether the equipment or device is obtained with a prescription. (Note: A separate statutory provision unchanged by the bill provides a Sales Tax exemption for sales of durable medical equipment, including medical supplies and devices that are obtained with a prescription.) The bill also extends the Sales Tax exemption for blood glucose monitoring supplies currently applicable to supplies furnished without charge to the sale of such supplies.

This provision provides that blood glucose monitoring supplies includes blood glucose meters, measuring strips, lancets, and other similar diabetic supplies. Overall, the bill does not change the taxability of the devices or supplies, 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.

Some remote retailers that are not currently required to collect Sales Tax in every state have agreed to collect Sales Tax for states that comply with SSUTA. In FY 2012, Indiana collected about \$9.8 M from 1,363 participating retailers that do not have nexus in the state.

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:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Streamlined Sales Tax Governing Board, <http://www.streamlinedsalestax.org/>. Shane Corbin, Department of State Revenue.

Fiscal Analyst: Lauren Sewell, 317-232-9586.