

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7020

BILL NUMBER: HB 1483

DATE PREPARED: Feb 22, 1999

BILL AMENDED: Feb 18, 1999

SUBJECT: Taxation of railroad car companies.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: GENERAL
 DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			(2,000,000)
State Expenditures			
Net Increase (Decrease)			(2,000,000)

Summary of Legislation: (Amended) (1) This bill grants railroad car companies a credit against indefinite-situs property tax liability for railroad car maintenance and improvement expenditures made in Indiana. It provides that the credit is equal to the lesser of: (1) a railroad car company's qualified expenditures; or (2) 25% of the company's tax liability for indefinite-situs distributable property. The bill provides that not more than \$2,000,000 in credits may be provided in a calendar year.

(2) The bill also provides that the property taxes derived from indefinite-situs distributable property of railroad car companies shall be deposited in the state General Fund, instead of the Commuter Rail Service Fund. It provides that 0.17% of state sales tax revenue shall be distributed to the Commuter Rail Service Fund.

(The introduced version of this bill was prepared by the Local Government Finance Study Commission.)

Effective Date: (Amended) July 1, 1999; January 1, 2000.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) (1) This bill would grant a property tax credit equal to a railroad

car company's expenses in Indiana for maintenance and improvements on rail cars owned or used by the taxpayer. Each credit could not exceed 25% of a taxpayer's property tax liability on rail cars and the total credits for all taxpayers would be limited to \$2 million. If more than \$2 million in credits are claimed in a year, each taxpayer's claim would be reduced on a pro-rata basis.

Qualified expenses would include expenditures for labor, materials, overhead and payments to others for performing maintenance and improvements. Repairs and improvements are currently made at repair facilities and at railroad yards.

The total tax generated by railroad car companies was \$5.6 million in CY 1998 (FY 1999) and is estimated at \$6.2 million (before credits) in CY 2000 (FY 2001). Currently the property tax on rail cars is deposited in the state Commuter Rail Service Fund.

(2) Under current law, railroad car companies pay property tax on the average number of cars owned or used in the state during the previous year. The Department of Revenue collects the tax and deposits the proceeds into the state Commuter Rail Service Fund. In CY 1998 (FY 1999), 373 railroad car companies paid \$5.6 million into the fund. All of the money in the fund is used by the Northern Indiana Commuter Transportation District to offset operating expenses and to match federal improvement grants. This bill would require the proceeds of the tax to be deposited into the state General Fund rather than into the Commuter Rail Service Fund.

This bill requires the State to deposit 0.17% of the Sales Tax proceeds into the state Commuter Rail Service Fund. The percentage of Sales Tax deposited into the General Fund would be reduced by 0.17%. In FY 2001, 0.17% of Sales Tax is expected to generate about \$6.4 million.

Without the credit proposed by this bill, FY 2001 proceeds from the Property Tax on rail cars are expected to amount to \$6.2 million. However, since the proposed credit could reduce the rail car property tax proceeds by up to \$2 million, a lesser amount could be deposited into the General Fund. These deposits could be less than the amount of Sales Tax revenue which would be removed from the General Fund, thereby reducing General Fund revenues by up to \$2 million per year beginning in FY 2001.

The only effect on the Northern Indiana Commuter Transportation District is that the District's state funding would be tied to Sales Tax rather than to Property Tax. Currently, Sales Tax revenues are estimated to grow at about 3.5% from FY 1999 to FY 2000, and 5.2% from FY 2000 to FY 2001; whereas Rail Car Property Tax revenue has grown at about 5.2%.

The bill requires the State Tax Board to make forms available on which railroad car companies may apply for the credit.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Unlike most other property tax revenue, the indefinite-situs property tax on rail cars is deposited into the state Commuter Rail Service Fund instead of going to local units. The tax credits and funding shifts in this bill would have no affect on local property tax revenue.

State Agencies Affected: State Board of Tax Commissioners; Department of Revenue; Northern Indiana Commuter Transportation District.

Local Agencies Affected:

Information Sources: Shawn Pittman, State Board of Tax Commissioners (232-3761); John Parsons, Northern Indiana Commuter Transportation District (219-926-5744).