

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7904

BILL NUMBER: HB 1573

DATE PREPARED: Feb 11, 1999

BILL AMENDED: Feb 10, 1999

SUBJECT: Tax reciprocity with Illinois.

FISCAL ANALYST: Jim Mundt

PHONE NUMBER: 232-9858

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill permits the Department of State Revenue, with the approval of the governor and Budget Agency, after the review of the State Budget Committee, to enter into an agreement with the state of Illinois concerning income tax collections from nonresidents. It sets a maximum payment that Indiana may make.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) This bill could result in a payment from the State General Fund if the amount measured by income taxes collected by Indiana from Indiana residents working in Illinois, if there were a reciprocity agreement between the two states, exceeds the amount collected by Indiana from Indiana residents working in Illinois and from Illinois residents working in Indiana, if there was not a reciprocity agreement. Based on an agreement between Indiana and Illinois concerning methodology, any payment would be based on the calculation of taxes from the previous taxable year.

Current law provides that adjusted gross income tax imposed on nonresidents is not payable in Indiana if the nonresident's state of residence has a reciprocal tax exemption for Indiana residents in that state. Indiana has agreements with Kentucky, Michigan, Ohio, Pennsylvania, and Wisconsin. An agreement with Illinois was terminated by Illinois effective January 1, 1998.

The Indiana Department of State Revenue is preparing a study which will describe the amount of tax collected by Indiana and Illinois from nonresidents from those states. The report is scheduled for completion on March 1, 1999. Therefore an estimated payment can not be determined at this time.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Indiana Department of State Revenue, Tom Conley, 232-2107.