

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6270**  
**BILL NUMBER: HB 1849**

**DATE PREPARED:** Nov 13, 1998  
**BILL AMENDED:**

**SUBJECT:** Sales tax exemption.

**FISCAL ANALYST:** Jim Mundt  
**PHONE NUMBER:** 232-9858

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

**IMPACT:** State

<b>STATE IMPACT</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
State Revenues		(264,000,000)	(332,800,000)
State Expenditures			
Net Increase (Decrease)		(264,000,000)	(332,800,000)

**Summary of Legislation:** This bill exempts utility charges from the sales tax. It provides that a utility is not a retail merchant for sales tax purposes.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill will result a reduction of gross retail (sales) and use tax revenue. A public utility will not be required to collect sales tax from Indiana residents on sales of utility service.

In CY 1997, the sale of utility service to all customers produced \$287,984,544 in sales tax revenue. Assuming the same amount of sales tax revenue for FY 1998, and applying the growth factor used by the revenue forecast technical committee for FY 1999 (4.8%) and using 5% per year for FY 2000 and FY 2001, the amount of revenue loss for a full year in FY 2000 would be \$316,900,000 and the loss for FY 2001 would be \$332,800,000. In FY 2000, the impact would be 10/12 of the annual total, because the impact would begin with the month of August returns which are due to the Department of Revenue in September.

Gross retail (sales) and use taxes are deposited in the State General Fund (59.2%), the Property Tax

Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), and the Industrial Rail Service Loan Fund (0.04%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

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

**Local Agencies Affected:**

**Information Sources:** 1997 Department of State Revenue Sales Tax Statistics.