

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7439

BILL NUMBER: HB 2054

DATE PREPARED: Jan 24, 1999

BILL AMENDED:

SUBJECT: Financial institutions tax.

FISCAL ANALYST: Diane Powers

PHONE NUMBER: 232-9853

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill exempts interest received from United States Treasury obligations from the Financial Institutions Tax.

Effective Date: January 1, 2000.

Explanation of State Expenditures: The Department of Revenue will have some administrative expenses associated with revising tax forms, instructions and computer programs. These expenses will be covered under their existing budget.

Explanation of State Revenues: This bill exempts interest received from United States Treasury obligations from the Financial Institutions Tax (FIT). Since financial institutions are restricted to certain type of investments, interest earnings from United States Treasury obligations could represent a significant portion of their income. This new exemption will significantly reduce revenue from the FIT by an indeterminable amount. This analysis will be updated upon receipt of additional information. FIT revenue is deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local units of government receive a guaranteed distribution of FIT so local revenue will not be affected.

State Agencies Affected: Department of Revenue.

Local Agencies Affected:

Information Sources: Department of Revenue.