

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6446
BILL NUMBER: SB 234

DATE PREPARED: Feb 16, 1999
BILL AMENDED: Feb 15, 1999

SUBJECT: Taxation of railroad car companies.

FISCAL ANALYST: Bob Sigalow
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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (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 50% of the qualified expenditures made by the taxpayer in the taxable 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.

Effective Date: (Amended) July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues: (1) This bill would grant a property tax credit equal to 50% of a railroad car company's expenses in Indiana for maintenance and improvements on rail cars owned or used by the taxpayer. 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 amount of a taxpayer's credit could be as high as the amount that the taxpayer paid in rail car property tax. The total tax generated by railroad car companies was \$5.6 million in CY 1998 and is estimated at \$6.2 million in CY 2000. 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, 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 2000, 0.17% of Sales Tax is expected to generate about \$6.1 million.

Without the credit proposed by this bill, FY 2000 proceeds from the Property Tax on rail cars are expected to amount to \$6.1 million. However, since the proposed credit could reduce or eliminate the rail car property tax proceeds, 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 \$6.1 million in FY 2000.

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 4.8% per year through FY 1999, 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).