LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6523
BILL NUMBER: SB 270

DATE PREPARED: Dec 29, 1998
BILL AMENDED:

SUBJECT: Income tax credits for political contributions.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill allows an individual taxpayer to elect to take a credit against adjusted gross income for certain political contributions. The bill provides that the credit equals 50% of the aggregate amount of the contributions made during an individual's taxable year and the credit may not exceed the lesser of: (1) the individual's tax liability; or (2) $100 for an individual taxpayer and $200 for a taxpayer filing a joint return.

Effective Date: January 1, 2000.

Explanation of State Expenditures: The will be some administrative expenses for the Department of Revenue to implement this new tax credit which will be covered under their existing budget.

Explanation of State Revenues: This bill establishes a new income tax credit for contributions made to candidates running for a local, legislative or state office or their election campaign committee. The tax credit is equal to 50% of the aggregate amount of the contributions made during an individual's taxable year. The credit is limited to the individual's tax liability or a maximum of $100 for a single return and $200 for a joint return. This tax credit is effective for tax years beginning January 1, 2000 and will reduce individual income tax revenue beginning in FY 2001. Individual income tax revenue is deposited in the state General Fund.

Based on information from the State Election Commission on contributions made to state House and Senate legislative campaigns, **individual income tax credits could range from $1 M to $3 M during an election year.** It is not known how many individuals would make donations which would qualify for the tax credit in non election years, but is expected to be significantly less than during an election year.

Another unknown is the amount of contributions which would be made to campaigns for local or state offices (e.g. Governor/Lt. Governor, Attorney General, Superintendent of Public Instruction, Treasurer, Auditor, and Secretary of State) which would also increase the revenue loss from this tax credit by an indeterminable amount. Elections for these offices occur every four years.

If this tax credit encourages more contributions from individuals (versus PACs, party committees, etc.) to state or legislative campaigns, it could also increase the loss individual income tax revenue.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: The Department of Revenue.

Local Agencies Affected:

Information Sources: Indiana Election Commission.