LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6782
BILL NUMBER: SB 272

DATE PREPARED: Dec 21, 1999
BILL AMENDED:

SUBJECT: Tax credit for brownfield program.

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

IMPACT: State & Local

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues			**(1,000,000)**
State Expenditures			
Net Increase (Decrease)			**(1,000,000)**

Summary of Legislation: This bill allows a credit against state tax liability for certain voluntary environmental remediation costs. The credit is limited to $1 M statewide. The credit amount for each year shall be deducted from the Industrial Development Grant Fund and the Environmental Remediation Revolving Loan Fund Sub-account to replenish the State General Fund. The Department of Environmental Management (IDEM) shall share administrative duties with the Indiana Development Finance Authority. No new tax credits are allowed for tax years beginning after December 31, 2002.

Effective Date: Upon passage; January 1, 2000 (retroactive); July 1, 2000.

Explanation of State Expenditures: The Department of State Revenue would incur additional administrative expenses related to updating tax forms and monitoring of the credit. Any costs associated with this proposal could be absorbed within the Department's current budget. IDEM would be required to certify costs incurred in the voluntary remediation as qualified investments. This may result in additional administrative expenses for IDEM, although these expenses could be absorbed within its existing budget.

Explanation of State Revenues: This bill allows a taxpayer to receive a tax credit equal to 10% of a qualified investment made in the voluntary remediation of a brownfield. The credit may be taken against the taxpayer's Gross Income, Adjusted Gross Income, Supplemental Net Income (Snit), Bank, Savings and Loan

Association, Insurance Premiums, Financial Institutions, and Gross Retail and Use Tax liability. Revenue from these taxes is deposited in the state General Fund and the Property Tax Replacement Fund (PTRF).

The total amount of tax credits allowed may not exceed $1 M in each fiscal year, although the actual impact will vary from year to year. The credit applies only to taxable years which begin in 2001 and 2002. The impact to the state would be in fiscal year 2002 and 2003 (unless the taxpayer carries any excess of the credit forward for a maximum of five years).

The Department of State Revenue must report the amount of credits granted each year, and 50% of this amount will be transferred from the Industrial Development Grant Fund to the State General Fund. Fifty percent of the annual amount of credits taken will also be transferred from the sub-account of the Environmental Remediation Revolving Loan Fund to the General Fund. If the required appropriations exceed the amounts available in the Fund or sub-account, the actual appropriations will be reduced to the amount available and may not be augmented.

Secondary impact: The remediation of brownfields may create new jobs. New jobs will increase income tax collections as well as increase revenue from other sources, such as the sales tax and motor vehicle excise tax.

Explanation of Local Expenditures: This bill requires the legislative body of a political subdivision to approve a tax credit before it can be granted to a taxpayer. In order to approve the tax credit, the legislative body must adopt a resolution. Before adopting this resolution, the legislative body must publish a notice of the proposed resolution and the public hearing and also review a required statement of benefits submitted by the taxpayer. The costs to local units associated with these provisions are not expected to be great.

Secondary impact: If a county owns land that could be sold and remediated by a new owner under this proposal, the county would no longer be responsible for remediation. Selling the property could reduce the counties' liability for cleanup of such property.

Explanation of Local Revenues: Secondary impact: Currently, if a property is abandoned and property tax has not been paid, the property goes to tax sale. Normally, if a parcel goes to tax sale and remains unsold, the county auditor would execute a deed to the county. However, the county auditor is not required to execute a deed to the county if the county executive determines that the property involved contains hazardous waste or another environmental hazard for which the cost of abatement or remediation will exceed the fair market value of the property.

Under this bill, if the parcel is sold and remediated, the new owners will begin paying property tax on the property. This new ownership could result in a shift of the property tax burden from all taxpayers to the new owner of the property. If the property is developed further, the improvements made will be taxable and would increase the base of assessed value. Added development would create a shift in the property tax burden from other taxpayers to the new owner of the property.

State Agencies Affected: IDEM and the Department of State Revenue.

Local Agencies Affected: Political subdivisions containing brownfields.

Information Sources: