LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6936 **DATE PREPARED:** Jan 3, 2000
BILL NUMBER: SB 449 **BILL AMENDED:**

SUBJECT: Job training tax credit.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes a one year pilot tax credit program in counties with first or second class cities to provide income tax credits to employers who pay for their employees to attend approved training programs. It limits the credit that an employer is entitled to claim to $500 for each employee who successfully completes the training program. The bill also requires the Department of State Revenue to adopt rules establishing program standards and a process for program approval.

Effective Date: January 1, 2001.

Explanation of State Expenditures: This bill creates the Indiana Employee Development Initiative and establishes a tax credit for employers in counties containing first and second class cities that provide for employee development programs. The eligible counties would be Allen, Delaware, Elkhart, Floyd, Howard, Lake, Madison, Marion, Monroe, St. Joseph, Tippecanoe, Vanderburgh, Vigo, and Wayne counties. Qualifying programs must be designed help workers achieve higher wages or employment levels through the teaching of vocational skills.

The Department of State Revenue (DOR) would incur some administrative costs associated with this proposal. The Department must develop forms for the reporting of this credit and would incur related processing, printing, and computer programming expenses. The DOR would also be required to establish program standards and certify qualified expenditures. It is expected that these costs could be absorbed within the DOR's current budget.

Explanation of State Revenues: This bill provides a business a credit of up to $500 for each worker participating in an employer-sponsored learning program. The maximum number of employees for which a taxpayer may claim credits is equal to one plus 10% of the employer's workforce in a qualifying county. These credits may be taken against Gross Income Tax, Adjusted Gross Income Tax, or Supplemental Net Income Tax liability. If the credit exceeds the taxpayer's total state liability in one year, the excess may not be carried over. The tax credit may not be carried back or refundable. There is no limit on the total amount of tax credits allowed under this proposal. If a pass through entity without state tax liability is entitled to a credit, a shareholder or partner of the entity is entitled to a credit equal to the amount determined for the pass through entity multiplied by that person's share of distributive income.

This credit may reduce state tax revenues by an indeterminable amount in FY 2002 (the credits apply only for the 2001 taxable year). Individual and corporate income taxes are distributed to the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue.