

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6693**  
**BILL NUMBER: SB 497**

**DATE PREPARED:** Dec 28, 1999  
**BILL AMENDED:**

**SUBJECT:** Tax credits for inventory tax payments.

**FISCAL ANALYST:** Diane Powers  
**PHONE NUMBER:** 232-9853

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

**IMPACT:** State

<b>STATE IMPACT</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
State Revenues		(42,800,000)	(90,200,000)
State Expenditures			
Net Increase (Decrease)		(42,800,000)	(90,200,000)

**Summary of Legislation:** This bill provides a credit against a taxpayer's state tax liability for property taxes paid on inventory. The bill provides that the credit is initially equal to 10% of property taxes paid on inventory, and increases the credit percentage over ten years until the credit may be claimed for 100% of property taxes paid on inventory.

**Effective Date:** January 1, 2000 (retroactive).

**Explanation of State Expenditures:** The Department of State Revenue will have additional administrative expenses associated with the revision of tax forms, instructions, computer programs and compliance.

**Explanation of State Revenues:** This bill creates a business inventory tax credit based on a certain percentage of property taxes paid on inventory. The applied percentages and corresponding tax years are identified below along with the estimated revenue loss for the respective fiscal years.

<b>Tax Year</b>	<b>% Credit</b>	<b>Estimated Inventory Tax Credit (mills)</b>	<b>FY Impact</b>
2000	10%	\$42.8 M	FY 2001
2001	20%	\$90.2 M	FY 2002
2002	30%	\$137.9 M	FY 2003
2003	40%	\$196.2 M	FY 2004
2004	50%	\$261.7 M	FY 2005
2005	60%	\$335.0 M	FY 2006
2006	70%	\$397.9 M	FY 2007
2007	80%	\$485.3 M	FY 2008
2008	90%	\$647.1 M	FY 2009
2009 & After	100%	\$690.3 M	FY 2010 & after

Due to the effective date of this credit, January 1, 2000, there may be a slight reduction in income tax collections in FY 2000 if taxpayers adjust their June, 2000 quarterly payment based on property taxes paid in May, 2000.

The credit may be taken against the taxpayer's liability under the Corporate Gross Income Tax, Adjusted Gross Income Tax, Supplemental Net Income Tax, Insurance Premium Tax, and the Financial Institution Tax. If the amount of the credit exceeds the taxpayer's liability, they may carry forward the excess in subsequent years. A taxpayer is not entitled to a carryback or a refund of any unused credit. If a pass through entity does not have an income tax liability, the credit may be taken by the shareholder(s) or partner(s) in relation to their distributive income in which they are entitled from the pass through entity.

The tax credits would continue to grow in tax years 2010 and years after. Tax revenue from the various taxes noted above are deposited in the General Fund and the Property Tax Replacement Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue, State Tax Board.

**Local Agencies Affected:**

**Information Sources:** Local Government Database.