

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6994

BILL NUMBER: HB 1601

NOTE PREPARED: Jan 20, 2005

BILL AMENDED:

SUBJECT: Taxation of nonresident limited partners.

FIRST AUTHOR: Rep. Whetstone

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that income received by a nonresident limited partner from a limited partnership engaged exclusively in buying, selling, dealing in, or holding securities on the limited partnership's own behalf is not subject to adjusted gross income taxation, regardless of whether the limited partnership's commercial domicile is in Indiana.

Effective Date: January 1, 2006.

Explanation of State Expenditures: The Department of State Revenue may need to revise tax forms, instructions, and computer programs to reflect the change. These revisions should be possible using the Department's current resources.

Explanation of State Revenues: Eliminating the tax on income received by nonresident limited partners from buying, selling, dealing in, or holding securities would decrease Indiana Adjusted Gross Income beginning in FY 2006. The OFMA Corporate Income Tax database contains no information on the number of nonresidential limited partners currently engaged in these types of activities in Indiana, so an estimate of the decrease in revenue resulting from the bill is indeterminable.

Currently, the Indiana Adjusted Gross Income Tax of nonresidential limited partners is derived from their share of partnership income (loss) attributed to sources within Indiana as determined by an apportionment formula.

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: State of Indiana Partnership Return Booklet 2004.

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