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FISCAL IMPACT STATEMENT

LS 6284 **NOTE PREPARED:** Jan 19, 2006
BILL NUMBER: HB 1266 **BILL AMENDED:**

SUBJECT: Headquarters Relocation Tax Credit.

FIRST AUTHOR: Rep. Borror **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

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

Summary of Legislation: The bill reduces from $500,000,000 to $100,000,000 the amount of annual worldwide revenue that a business must have in order to qualify for the Headquarters Relocation Tax Credit. It also provides that the credit is available for taxable years beginning after December 31, 2005 (instead of December 31, 2006), for relocation costs incurred after March 31, 2006.

Effective Date: April 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary:* The bill lowers the revenue requirement from $500 M to $100 M in worldwide revenue that a business must meet to qualify for the Headquarters Relocation Tax Credit. The bill also moves forward the effective date of the credit from tax year 2007 to tax year 2006. While the potential fiscal impact of the credit is indeterminable, the bill would increase the pool of businesses that could obtain the credit and potentially could move the start of any resultant fiscal impact to FY 2006 instead of FY 2007.

Background: The Headquarters Relocation Tax Credit is a nonrefundable tax credit against a taxpayer's Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, or Insurance Premiums Tax liability for relocating a corporate headquarters to Indiana. The net revenue impact of the credit depends on the extent that tax collections on headquarters employees and other taxable activities attributable to the headquarters deviates from the amount of credits claimed by the business. However, if the headquarters relocation would have occurred in the absence of the tax credit, the net impact is equal to the total credits claimed by the business.

The credit is equal to 50% of the taxpayer's relocation costs in a given tax year. To qualify for the tax credit, the taxpayer must relocate the corporate headquarters of an "eligible business" from a location outside of Indiana to an Indiana location. The corporate headquarters building or buildings must contain the principal offices of the principal executive officers of the eligible business. An "eligible business" must: (1) be engaged in either interstate or intrastate commerce; (2) maintain a corporate headquarters at a location outside Indiana; (3) have not previously maintained a corporate headquarters at a location in Indiana; (4) have had annual worldwide revenues of at least $500 M in the year previous to the year of application for the tax credit; and (5) commit contractually to relocating its corporate headquarters to Indiana.

The bill lowers the revenue requirement from $500 M to $100 M. The bill also makes the credit effective in tax year 2006 for qualified relocation costs incurred after March 31, 2006. Under current statute the credit is effective beginning in tax year 2007.

Revenue from the corporate AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. The revenue from the individual AGI Tax is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources:

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