

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

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FISCAL IMPACT STATEMENT

LS 7003

BILL NUMBER: HB 1171

NOTE PREPARED: Feb 15, 2007

BILL AMENDED:

SUBJECT: Property tax deduction for farm security items.

FIRST AUTHOR: Rep. Goodin

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a property tax deduction not to exceed \$25,000 assessed value (AV) per year relating to secure storage of fertilizers and pesticides that could be used for terrorism or illegal drug manufacturing. It specifies that the deduction is available for certain chemical additives and for tangible personal property that is: (1) installed or placed in service after March 1, 2007; and (2) used to provide security for a fertilizer or pesticide by: (A) restricting access to or control of; or (B) conducting surveillance on or detecting unauthorized access to the fertilizer or pesticide.

The bill provides that, in addition to a certified application statement, a person claiming the deduction must file a certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. It also specifies that a person may not receive the deduction for security devices and the "automatic abatement deduction" for the same property.

Effective Date: Upon passage.

Explanation of State Expenditures: To obtain the deduction, a person must file a certified statement on forms prescribed by the DLGF. The DLGF should be able to prescribe forms given its existing level of budget and resources.

State Chemist's Office: This bill provides a property tax deduction for property, including fences, that is used to provide security for a fertilizer or pesticide either by restricting access to or control of, or by conducting surveillance on, or detecting unauthorized access to the same. The AV of a chemical added to the fertilizer or pesticide in order to deter its theft also qualifies for the deduction. The total annual deduction may not exceed \$25,000 per facility.

Under current law (IC 6-1.1-12-38), the assessed value of any real property improvements made to comply with the fertilizer storage rules adopted by the State Chemist is entitled to a property tax deduction. The State Chemist's Office has to certify the improvements, and it has issued approximately 250 certificates since 1992. There are currently two individuals assigned to certifying improvements; they process between 5 and 10 applications a month, with each application taking a maximum of 30 days to complete. Under this proposal, the number of applications could increase. At the current processing rate, the office could need additional staff or the time taken for each application could increase.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources that may be required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: The state levies a small tax rate for the State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The revenue reduction is estimated to be minimal.

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill provides that a taxpayer is entitled to an annual property tax deduction in AV for certain security devices used to deter the theft of a fertilizer or pesticide. A person that qualifies for this deduction under this provision may not also apply for an investment deduction under IC 6-1.1-12.4. The bill first applies to property taxes first payable in 2009. The total annual deduction for a taxpayer may not exceed \$25,000 in AV.

To obtain the deduction, a person must install the farm security device item after March 1, 2007, and file a certified statement with the county auditor. In addition to the certified statement, the person must file the certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. Upon the verification of the statement by the township assessor in which the property is subject to assessment, the county auditor must allow the deduction.

This proposal may result in an increase in deductions claimed. Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. While the total amount of the deduction cannot be determined at this time, it is estimated that the maximum annual tax savings that each taxpayer could receive is about \$600.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: Department of Local Government Finance; State Fair Board; DNR Division of Forestry; State Chemist's Office.

Local Agencies Affected: County Auditor; Township assessor.

Information Sources: Michael Hancock, Fertilizer Administrator, State Chemist's Office, 765-494-1547.

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