

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6775

BILL NUMBER: HB 1193

NOTE PREPARED: Mar 29, 2007

BILL AMENDED:

SUBJECT: Sales Tax Exemption for Wastewater Utility.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Miller

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill defines "public utility", "collection plant and expenses", "system pumping plant and expenses", and "treatment and disposal plant and expenses" in the statute that exempts certain expenditures by a wastewater utility from Sales Tax.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: This bill will have an indeterminable impact on state Sales Tax collections. The bill exempts certain purchases by a public utility from Sales Tax. The bill provides that public utility in this statutory provision means "a public utility (as defined in IC 8-1-2-1(a)) or any person that contracts with a municipality to operate, manage, or control any plant or equipment owned by the municipality for the collection, treatment, or processing of wastewater."

Any change in Sales Tax collections will ultimately depend upon the amount of exempt purchases by entities qualifying as a public utility under the definition provided in the bill which did not previously qualify for the exemption. The number of entities qualifying for an exemption under this section will only change to the extent that the definition in this bill differs from the definition of public utility previously applied by the DOR to claims for an exemption under this provision.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Municipally owned wastewater utilities.

Information Sources:

Fiscal Analyst: Adam Brown, 317-232-9854.