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FISCAL IMPACT STATEMENT

LS 6799

BILL NUMBER: SB 476

NOTE PREPARED: Jan 10, 2007

BILL AMENDED:

SUBJECT: Tax Exemption for Energy Used in Manufacturing.

FIRST AUTHOR: Sen. Weatherwax

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED:

X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill exempts gross receipts from the sale of energy that is directly consumed in manufacturing from the Utility Receipts Tax and the Utility Services Use 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 Utility Receipts Tax (URT) and Utility Services Use Tax (USUT) 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 decrease URT and USUT collections by between \$24 M and \$34 M in FY 2008 and between \$26 M and \$35 M in FY 2009. The bill exempts the gross receipts from the sale of energy that is directly consumed in manufacturing from the URT and USUT. URT and USUT collections are deposited in the state General Fund. The rate is 1.4% for the URT and USUT.

The estimated decrease in URT and USUT collections may vary depending on administrative decisions by the DOR in determining the exempt status of gross receipts of taxpayers in situations that require interpretations of the definitions of "manufacturing" or the "direct use in the direct production".

Background Information: The FY 2006, there was \$206.4 M collected from the URT. As of January 1,

2007, there has been \$94.5 in URT collections, and \$3.9 in USUT collections for FY 2007. The USUT was enacted by P.L.162-2006 effective July 1, 2006.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: IURC Annual Energy Reports 2006; www.eia.doe.gov; Indiana Energy Association.

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