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FISCAL IMPACT STATEMENT

LS 6506
BILL NUMBER: SB 477

NOTE PREPARED: Dec 28, 2010
BILL AMENDED:

SUBJECT: CRED Districts.

FIRST AUTHOR: Sen. Eckerty
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill removes restrictions on activating a third Community Revitalization Enhancement District (CRED) in Delaware County. It repeals statutes establishing such restrictions.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue (DOR) must calculate the base income tax amount and the base gross retail amount for the CRED. The DOR and the State Budget Agency (SBA) must annually estimate and certify the amount of Income Tax and Sales Tax which will be collected from the district.

Explanation of State Revenues: *Summary* - This bill would allow the three CREDs in Delaware County to capture Sales and Income Tax revenue generated by development activities. Current statute only allows two of the three CREDs to capture tax revenue. The state would forgo any new Income or Sales Tax revenue up to \$1 M per year that is generated by development in the third CRED.

CRED Income and Sales Tax Incremental Allocations: Current statute provides that a CRED must terminate not later than 15 years after incremental Income or Sales Taxes are first allocated to the CRED. The SBA must approve the resolution designating a CRED before incremental Income and Sales Taxes may be allocated to an area designating a CRED. Currently, Delaware County has three CREDs (Magna, ABB, and the BorgWarner plant), but current statute only allows two of the three to capture tax revenue. Each of these CREDs is subject to an annual Income and Sales Tax capture limit of \$1 M. Distributions of captured tax revenue to the Magna CRED totaled \$77,227 in FY 2006; \$248,330 in FY 2007; \$299,829 in FY 2008; and \$247,228 in FY 2009. Revenue has not been captured by the ABB or the BorgWarner CREDs.

Community Revitalization Tax Credit: Under current statute, a taxpayer who makes a qualified investment for the redevelopment or rehabilitation of property located within a CRED is entitled to this tax credit. The credit is based on 25% of the qualified investment. The credit may be used to reduce the taxpayer's tax liability against the Adjusted Gross Income (AGI) Tax, the Financial Institutions Tax, or the Insurance Premiums Tax. The taxpayer may carry any excess credit over to the immediately following years, but is not entitled to a carryback or refund of any unused credit. A taxpayer is not entitled to a credit if they substantially reduce or cease to operate in another area of the state in order to relocate within the district. The table below reports the number of individual and corporate taxpayers that claimed the tax credit for CRED investment in 2005, 2006, 2007, and 2008 as well as the total credit amount claimed each year. The CREDs that the investment and tax credit was attributable to is unknown.

Community Revitalization Enhancement District Tax Credit	2005	2006	2007	2008
Individual Income Taxpayers				
Taxpayers Claiming Credit	94	84	55	77
Credits Claimed	\$291,249	\$54,228	\$416,447	\$152,446
Corporate Income Taxpayers				
Taxpayers Claiming Credit	N/A	N/R	N/R	N/R
Credits Claimed	N/A	\$3,224,231	\$2,663,171	\$1,697,748
N/A = Data not available for 2005; N/R = Filer count not reported for 5 or fewer filers.				

Revenue from the AGI tax, the Financial Institutions Tax, and the Insurance Premiums Tax is deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Background Information - Community Revitalization Enhancement Districts: Under current statute, CREDs may be established in certain specified local units, and in 1st and 2nd class cities. CREDs are allowed to capture incremental revenue from Sales Tax, state Income Tax, and local option income taxes. A local resolution to designate a CRED must be reviewed by the State Budget Committee and approved by the State Budget Agency.

Under the provisions allowing CREDs in specific local units, seven CREDs have been established: (1) one each the city of Bloomington, the city of Fort Wayne, the city of Marion, and the city of South Bend; and three in Delaware County, (only two are allowed to capture tax revenue). The annual capture limit for Sales Tax and state Income Tax for each of these CREDs is \$1 M.

Under provisions allowing CREDs in 1st and 2nd class cities, four CREDs have been established: one each in Anderson, Bloomington, Fort Wayne, and Indianapolis. The Bloomington and Indianapolis CREDs are currently active and receiving captured revenue distributions. The annual capture limit for Sales Tax and state Income Tax for each of these CREDs is \$750,000.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; SBA.

Local Agencies Affected: Delaware County.

Information Sources: Auditor of State, Revenue Trial Balance, FY 2007-FY 2009; OFMA Income Tax databases: 2005-2008; Indiana Department of State Revenue.

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