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FISCAL IMPACT STATEMENT

LS 6868

BILL NUMBER: HB 1499

NOTE PREPARED: Jan 12, 2013

BILL AMENDED:

SUBJECT: County Income Taxes.

FIRST AUTHOR: Rep. Wesco

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a county's certified distribution of local option income tax (LOIT) is based on the amount of county tax received by the state from county taxpayers of that county, regardless of whether the amount received has been reported on a return processed by the Department of State Revenue (DOR).

Effective Date: July 1, 2013.

Explanation of State Expenditures: *State Budget Agency (SBA):* The bill requires the SBA to change the base of the LOIT certified distribution they submit before August 2 every year. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* This bill changes the basis used by the SBA to determine a county's annual certified distribution of LOIT revenue. The change would be effective for certified distributions in CY 2014. The bill may lead to indeterminable changes in certified distribution amounts between what a county would receive under the current distribution system versus the system proposed by the bill. The new base for the certified distributions would include monthly withholdings, quarterly estimated payments, and payments with annual tax returns.

Current Determination of Certified Distributions: Under current law, a county's certified distribution for a given calendar year is based on the taxes received from that county and reported on the annual returns and amended returns processed in the state fiscal year that ends in the preceding calendar year. For example, the certified distribution for CY 2014 would have to be determined by the SBA by August 1, 2013. The SBA would use the returns processed by the DOR between July 1, 2012, and June 30, 2013, to compute the certified distribution for CY 2014. Probably about 95% of the tax returns that will be processed in FY 2013 will apply to tax year 2012, with the remainder applicable to tax year 2011.

Proposed Determination of Certified Distributions: The bill requires that a county's certified distribution for a given calendar year will be determined in the preceding calendar year based on the taxes received from the county's taxpayers in the calendar year preceding the year that the determination is made, regardless of whether the taxes received have been reported on a return or amended return. For example, the certified distribution for CY 2014 would still have to be determined by the SBA by August 1, 2013. However, the certified distribution for CY 2014 would be based on the amount of tax received between January 1, 2012, and December 31, 2012. This revenue would include monthly withholdings, quarterly estimated payments, and payments with annual tax returns received in CY 2012.

State Agencies Affected: State Budget Agency.

Local Agencies Affected: Counties with a local option income taxes.

Information Sources:

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