



# **Tax Facts**

## **Indiana State Revenues**

### **2004**

**State Representative**  
**John Ulmer**

#### ***Sales Tax***

A consumption tax. Tax on the purchase of non-essential items (exemptions include certain foods, medicine, medical devices, admission tickets, wholesale sales, etc.). Paid by consumer, but collected by the seller and remitted to the State.

<i>Tax Rate:</i>	6% of the purchase price (Increased to 6% effective 12/1/2002)
<i>Fiscal Year(FY) 2003 Revenues:</i>	\$4.21 billion
<i>Average Growth (1994-2003):</i>	6.2% per year (4.9% growth/year if tax increase factored out.)

Revenues accrue to the State General Fund (49.192%), the Property Tax Replacement Fund (50%), the Public Mass Transportation Fund (.635%), the Industrial Rail Loan Fund (.033%), and the Commuter Rail Service Fund (.14%).

#### ***Individual Income Tax***

Tax on personal income (wages, investment income, earnings from S Corporations, Partnerships, LLC's, etc.). Also applies to trusts, estates, and nonresidents with income from Indiana sources. Some portions of income are exempted based on the source or how the income is spent.

<i>Tax Rate:</i>	3.4% of taxable income
<i>FY 2003 Revenues:</i>	\$3.6 billion
<i>Average Growth (1994-2003):</i>	4.6% per year

All revenues accrue to the State General Fund.

#### ***Corporate Income Taxes***

Taxes on corporate earnings and revenues. Effective 1/1/2003, Indiana has simplified its corporate tax structure. Gone are the Corporate Gross Income Tax and the Supplemental Net Income Tax. Only the Adjusted Gross Income tax (AGIT) remains, but its rate has been increased from 3.4% to 8.5% of Indiana corporate taxable income. A new Utility Receipts Tax (URT), which is 1.4% of total gross receipts from all utility services consumed in Indiana regardless of the point of generation or transmission across state lines, was added at the same time. The Financial Institutions Tax (FIT) and the Insurance Premium Tax (IPT) remained unchanged.

<i>Tax Rate:</i>	AGIT 8.5% of taxable income; FIT 8.5% of adjusted gross income; IPT 1.7% and 0.5% of gross premiums; URT 1.4% of gross revenues.
<i>FY 2003 Revenues:</i>	\$906.4 million
<i>Average Growth (1994-2003):</i>	-2.1% per year

All revenues reported here accrue to the State General Fund (AGIT, URT, FIT, IPT), the Property Tax Replacement Fund (AGIT), or the Fire & Building Services Fund (IPT). The State Fire Marshall and State Building Inspector are funded from the Fire & Building Services Fund. About \$43 million per year from the FIT is treated as a local tax, and not included in the above total.

## ***Motor Fuel Taxes & Roadway User Fees***

Use-based taxes and fees. Tax is on the purchase or use of motor fuels. Most motor fuel taxes are paid initially by the wholesaler, but passed on directly to the consumer in the per gallon price. Fees assessed for owning or operating a personal or commercial vehicle in Indiana (i.e. registration fee, driver's license fee, and title certificate fee, etc.) *These fees do not include the motor vehicle excise tax, which is effectively a local property tax.*

<i>Tax Rate:</i>	Gasoline: \$.18/gallon effective 1/1/2003 (increased from \$.15/gallon) Diesel: \$.27/gallon (including \$.11 surtax)
<i>Fees:</i>	Registration: \$20.75/year for passenger cars; \$29.75/year to \$1,359.75/year for trucks based on weight Driver's License: \$14 every four years Title Certification: \$15
<i>FY 2003 Revenues:</i>	approximately \$920 million
<i>Average Growth (1994-2003):</i>	3.2%/year

These monies are dedicated to roadway construction, maintenance, and safety. Over 45% is distributed to cities, towns, and counties. A small portion is used to cover the costs of collecting the taxes and fees.

## ***Inheritance Tax***

Tax on the transfer of wealth at the time of death. The tax rate is based on the relationship of the recipient to the decedent and the amount transferred. All transfers to a surviving spouse are exempt from taxation.

<i>Tax Rate:</i>	1% to 20% of the estate's net taxable value
<i>FY 2003 Revenues:</i>	\$198 million
<i>Average Growth (1994-2003):</i>	9.2%/year

## ***Cigarette & Alcoholic Beverage Taxes***

Taxes on the purchase of cigarettes, beer, wine, and liquor. These taxes are paid initially by the wholesaler, but passed on to the consumer. For cigarettes the tax is passed on directly at a per pack rate. For alcohol, the consumer pays indirectly since the tax is based per gallon. Exemptions include out of state sales, cigarette sales to US Government, religious uses of alcohol.

<i>Tax Rate:</i>	Cigarettes: \$.55 1/2 per pack effective 7/1/2002 (increased from \$.15 1/2 per pack) Liquor: \$2.68/gallon; Wine \$.47/gallon; Beer \$.11 1/2 per gallon
<i>FY 2003 Revenues:</i>	\$390.1 million
<i>Average Growth (1994-2003):</i>	13.0%/year (1.3%/ year if tax increase factored out)

Approximately 43% of these revenues accrue to the State General Fund. The remaining funds are used for a variety of purposes including local police & firefighters pension relief, prison construction, and direct distributions to cities and towns.

## ***Lottery Profits & Gaming Taxes***

Tax on the net income from the Hoosier Lottery Commission. Taxes on admission to gaming facilities and total dollars wagered. Excise tax and license fee for charity gaming. Monies from the lottery are administered by the State.

<i>Tax Rate:</i>	Admissions: \$.20 for horse track or off track betting; \$3 for riverboat casinos
<i>Wagering:</i>	2% or 2.5% of amounts wagered for horse racing; graduated rate between 15% and 35% of adjusted gross receipts for riverboat casinos. 10% of wholesale price of pull tabs, punchboards, and tip boards for charity gaming.
<i>FY 2003 Revenues:</i>	Approximately \$615.0 million (excluding LGSA interest earnings)
<i>Average Growth (1994-2003):</i>	22.4%/year (Includes increase in wagering tax rate)

25% of the Riverboat Wagering Tax (after expenses and \$33 million non-riverboat county revenue sharing set aside), \$2.10 of the Riverboat Admissions Tax (RAT), and 50% of the Pari-mutuel Admissions Tax is returned directly to the community in which the facilities are located. These amounts, along with the \$.65 of the RAT that is used to subsidize horse racing are not included in the above total. The \$.15 of RAT for the State Fair Commission and the \$.10 for the Division of Mental Health are included above.

Total Riverboat Wagering and Admission taxes are now generating about \$650 million/year for state and local governments. After the \$33 million non-riverboat county revenue sharing set aside, the State's share of the remaining Wagering and Admissions taxes are deposited into the PTRF. About \$136 million is then transferred from PTRF to the Build Indiana Fund (BIF) to meet the statutory guarantee of \$250 million each fiscal year.

Hoosier Lottery profits are about \$170 million/year. Horse racing and charity gaming profits total about \$7 million/year. The State's share of these monies is deposited into BIF. Long-term commitments of lottery and gaming monies include: Teachers Retirement Fund Stabilization (\$30 million/year); Local Police and Firefighters Pension Relief (\$30 million/year); and Vehicle Excise Tax Replacement (\$236 million/year). Residual monies are then transferred to BIF, State and Local Project Account.

### ***Other Taxes, Fees & Miscellaneous Receipts***

A wide variety of other revenues (i.e. special purpose taxes, service fees, interest earnings, and proceeds from the sale of state property).

<i>Tax Rate:</i>	Various
<i>FY 2003 Revenues:</i>	Approximately \$2.8 billion
<i>Average Growth (1994-2003):</i>	7.9%/year

Only about 10% of these monies accrue to the State General Fund. Most of the remaining monies are dedicated to support specific programs. Thus, growth in these revenues generally does not ease the burden on the State General Fund.

### ***Federal Aid***

Federal appropriations and entitlements administered by state agencies. Monies are used both to fund state programs and address local needs. However, this does not represent all federal-aid received in Indiana. Some federal programs distribute funds directly to local units of government.

The major categories of federal-aid funding are: Highways/Transportation; Public Education; Health; and Welfare. Federal-aid funds generally have a very restricted and specific use, so growth in federal assistance does not always reduce the burden on state resources. Federal funds often accompany new government requirements, which have added costs.

<i>FY 2003 Revenues:</i>	\$5.7 billion
<i>Average Growth (1994-2003):</i>	16.0%/year

**For additional information contact your State Representative:**

**Telephone: 1-800-382-9841**

**On the Web: [http://www.in.gov/legislative/house\\_republicans](http://www.in.gov/legislative/house_republicans)**