

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

301 State House
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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 95-234

DATE RECEIVED: Oct 13 95

STATE AGENCY: State Board of Tax Commissioners

DATE PREPARED: Nov 08 95

FISCAL ANALYST: Bob Sigalow

PHONE NUMBER: 232-9859

Digest of Proposed Rule:

This proposal amends 50 IAC 2.2 concerning the real property tax assessment of riverboats located in a county described in IC 4-33-1-1 on which gambling is authorized and licensed under IC 4-33-7. The State Board of Tax Commissioners is authorized to promulgate such rules pursuant to IC 6-1.1-1-15, as amended.

Governmental Entities:

State: The State would receive an increase in the amount raised by the one cent State property tax rate for State Forestry and State Fair. This would amount to approximately \$4,350 per year once all of the riverboats are in place. The state would not be responsible for any additional Property Tax Replacement Credit (PTRC) payments under this rule.

There are no unfunded mandates placed upon any state agency by this proposed rule.

Local: Local revenues will not be affected. The tax rate will be reduced in the taxing districts where the riverboats are located, producing a shift of the property tax burden from existing taxpayers to the riverboat owners.

There are no unfunded mandates placed upon any political subdivision by this proposed rule.

Regulated Entities:

Under Current law, eleven riverboat casino licenses may be awarded, including five on the Ohio River, five on Lake Michigan, and one on Patoka Lake. The proposed rule contains two sets of reproduction costs for riverboats to be used in the assessment process. The assessed value of real property is equal to one-third of the difference of reproduction cost less depreciation. The location of the riverboat determines which cost table is used.

The base reproduction cost for a riverboat on Lake Michigan is \$13 M for a riverboat with a capacity of 2,000. The \$13 M cost is adjusted up or down by \$1,400 per person capacity when the riverboat's capacity differs from the 2,000 person base.

The base reproduction cost for a riverboat on the Ohio River is \$11.7 M for a riverboat with a capacity of 2,000. The \$11.7 M cost is adjusted up or down by \$1,700 per person capacity when the riverboat's capacity differs from the 2,000 person base. No cost table was established for a riverboat located on Patoka Lake.

Based on the cost tables and depreciation schedule contained in the proposed rule, the State Tax Board estimates that the total assessed value of the ten proposed riverboats on Lake Michigan and the Ohio River will be approximately \$43.5 M. If all riverboats are in place on the March 1, 1996 assessment date, approximately \$5.5 M in net property tax liability would be shifted from existing taxpayers to the riverboat owners in the taxing districts where the riverboats are located. This shift assumes that local government will not grant tax abatement on the riverboats. The tax shift estimate does not include any land-based property improvements made as part of or as a result of the riverboat projects. Land-based improvements will be assessed under the current regulation for the assessment of real property. The shift amount is broken down as follows:

<u>Location</u>	<u>Net Boat Tax</u>
Ohio River:	
Lawrenceburg	\$ 394,768
Posey Twp., Harrison Co.	299,624
Rising Sun	208,717
Vevay	268,492
Evansville	423,319
Lake Michigan:	
Gary (2 boats)	1,595,810
Hammond	943,483
East Chicago	909,895
Michigan City	<u>443,050</u>
Total	\$5,547,158

No estimate of assessed value or tax shift was made for a riverboat located on Patoka Lake.

Information Sources: State Board of Tax Commissioners, Ruel Williamson (232-3761); Local Government Database.