LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6761 | **NOTE PREPARED:** Dec 31, 2023
BILL NUMBER: HB 1309 | **BILL AMENDED:**

SUBJECT: Property Tax Payments for Nonprofit Hospitals.

FIRST AUTHOR: Rep. Smaltz | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **X** **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill requires a nonprofit hospital to pay a certain amount to the county treasurer based on the property tax liability that would be due based on the nonprofit hospital's gross assessed value (AV) of exempt property if no exemptions were applied, depending on the extent to which the nonprofit hospital's average of aggregate prices charged in a year exceeds the nationwide average of aggregate prices charged in the immediately preceding calendar year. The bill requires a nonprofit hospital to submit information each year concerning the nonprofit hospital's average of aggregate prices charged.

Effective Date: January 1, 2025.

Explanation of State Expenditures: *Department of Insurance (DOI)*: The DOI will have additional administrative expenses related to the verification of documentation and the determination of the level of a hospital's average of aggregate prices charged. The DOI's expenses are paid from a dedicated agency fund.

Department of Local Government Finance (DLGF): The DLGF will be required to prescribe the form and manner in which the hospitals will submit the required statement and documentation. This provision is 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: Beginning with taxes payable in CY 2026, if a hospital's average price exceeds the nationwide average price for the first or second six-month period in the year, then the hospital will have to pay all or a portion of the property tax that would have been due if the hospital did not receive a property tax exemption.

If the hospital's six-month average price is at least twice the national average, then the hospital must pay 100% of the taxes that would have been due in the installment payable during those six months if not for the exemption.

If the hospital's six-month average price is more than, but less than twice, the national average, then the hospital must pay a prorated portion of the taxes that would have been due in the installment payable during those six months if not for the exemption.

Amounts paid under this bill will be apportioned to the taxing units in the same manner as other property taxes and will result in increased local revenues. Ultimately, any change in local revenue depends on each hospital's level of pricing compared to the national average.

Additional Information: For taxes payable in 2023, non-critical access hospital exemptions totaled $2.9 B in AV, worth about $72 M in tax.

State Agencies Affected: Department of Insurance; Department of Local Government Finance.

Local Agencies Affected: County auditors; Civil taxing units and school corporations.

Information Sources: LSA Property Tax Database; *Critical Access Hospitals in Indiana*, Indiana Hospital Association, https://www.ihaconnect.org/about/indiana-hospitals/Pages/Rural-Health.aspx

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