

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

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**FISCAL IMPACT STATEMENT**

**LS 6564**  
**BILL NUMBER: SB 238**

**NOTE PREPARED: Mar 8, 2024**  
**BILL AMENDED: Mar 8, 2024**

**SUBJECT:** Innkeeper's Tax.

**FIRST AUTHOR:** Sen. Maxwell  
**FIRST SPONSOR:** Rep. Zimmerman

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** *Jefferson County Innkeeper's Tax:* The bill authorizes Jefferson County to impose its innkeeper's tax at a rate of 8% (instead of 5% under current law). The bill provides that, if the tax rate is increased to more than 5%, the portion of the tax rate that exceeds 5% expires on December 31, 2045.

*Elkhart County Innkeeper's Tax:* The bill authorizes Elkhart County to impose its innkeeper's tax at a rate of 8% (instead of 5% under current law). The bill provides that, if the tax rate is increased to more than 5%, the portion of the tax rate that exceeds 5% expires on December 31, 2045.

*Knox County Innkeeper's Tax:* The bill authorizes Knox County to impose its innkeeper's tax at a rate of 8% (instead of 6% under current law). The bill provides that, if the tax rate is increased to more than 6%, the portion of the tax rate that exceeds 6% expires on December 31, 2045.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The counties (Jefferson, Elkhart, and Knox) could potentially incur a one-time increase in costs if they hold an additional public hearing to discuss a proposed ordinance regarding the innkeeper's tax.

If the counties increase the innkeeper's tax, the county fiscal officer would update the innkeeper's tax forms

and instructions. The county fiscal bodies should be able to implement the bill's provisions within existing levels of staff and resources.

**Explanation of Local Revenues:** *Jefferson County Innkeeper's Tax:* The bill authorizes the county fiscal body to increase the innkeeper's tax rate to 8%. Assuming the maximum tax rate allowed, the estimated revenue increase for Jefferson County is \$0.56 M in CY 2025 and \$0.57 M in CY 2026. Additional revenue could also be collected in CY 2024, depending on when the rate increase goes into effect.

*Elkhart County Innkeeper's Tax:* The bill authorizes the county fiscal body to increase the innkeeper's tax rate to 8%. Assuming the maximum tax rate allowed, the estimated revenue increase for Elkhart County is \$1.92 M in CY 2025 and \$1.95 M in CY 2026. Additional revenue could also be collected in CY 2024, depending on when the rate increase goes into effect.

*Knox County Innkeeper's Tax:* The bill authorizes the county fiscal body to increase the innkeeper's tax rate to 8%, but the innkeeper's tax may not exceed 7% under specified conditions. Assuming the maximum tax rate allowed, the estimated revenue increase for Knox County is \$0.19 M in CY 2025 and \$0.19 M in CY 2026. Additional revenue could also be collected in CY 2024, depending on when the rate increase goes into effect.

The bill provides that, if the counties increase the innkeeper's tax rate, the portion of the tax rate that exceeds the current level expires on December 31, 2045.

The estimations assume inelastic demand under the innkeeper's tax rate change for Jefferson County, Elkhart County, and Knox County.

**State Agencies Affected:**

**Local Agencies Affected:** Jefferson County, Elkhart County, Knox County.

**Information Sources:** Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2023. Department of State Revenue, County Innkeeper's Tax Collections, <https://www.in.gov/dor/business-tax/tax-rates-fees-and-penalties/county-innkeepers-tax/>.

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