

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

LS 6759
BILL NUMBER: SB 407

NOTE PREPARED: Dec 27, 2024
BILL AMENDED:

SUBJECT: Tax Credit for Employer Guard and Reserve Expenses.

FIRST AUTHOR: Sen. Pol
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill establishes a tax credit for a taxpayer that employs a member of a reserve component of the armed forces of the United States or the Indiana National Guard. It requires the taxpayer to submit certain information to the Department of State Revenue (DOR) to claim the credit.

Effective Date: January 1, 2025 (retroactive).

Explanation of State Expenditures: *DOR:* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes made by the bill. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Employer Tax Credit:* The bill establishes a nonrefundable tax credit for employers whose employees are also reservists or members of the Indiana National Guard. The tax credit is available beginning in tax year 2025 and could reduce state General Fund revenues by an estimated \$22 M annually beginning in FY 2026. The estimate assumes that employers claim the credit for half of Indiana National Guard and reserve members while they are away from work for two weeks of drilling annually. The estimate also assumes that 5% of Guard and reserve members are activated annually and serve for six months. The actual revenue impact will depend on the number of members of the National Guard and reservists who are away from private sector employment to fulfill training, drilling, or active duty orders and the length of active duty service. It will also depend on the employee's wage and the employer's paid leave policy.

Additional Information - As of September 2023, there were 16,399 members of the National Guard and reserves in Indiana (DMDC, 2023). The average weekly wage in Indiana as of the second quarter of 2024 was \$1,170 (STATSIndiana).

The tax credit amount is equal to 50% of the employee's normal wages multiplied by the number of normal working hours while the employee was away from their job due to Guard or reservist duty. The credit may not be claimed by the employer if the employee uses paid leave while away from that job to perform their Guard or reservist duty.

The credit may be carried forward. The tax credit may be applied to corporate or individual Adjusted Gross Income (AGI) Tax, the Insurance Premiums Tax, the Nonprofit Agricultural Organization Health Coverage Tax, or the Financial Institutions Tax.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: STATSIndiana QCEW. Covered Employment & Wages for Indiana, in Quarter 2 of 2024. <https://www.stats.indiana.edu/cew/>; DMDC. (2023, September 30). Number of Military and DoD Appropriated (APF) Civilian Personnel by Assigned Duty Location and Service/Component.

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