

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

LS 7499

BILL NUMBER: SB 453

NOTE PREPARED: Feb 11, 2025

BILL AMENDED: Feb 11, 2025

SUBJECT: Various Tax Matters.

FIRST AUTHOR: Sen. Holdman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Estimated Payments:* This bill amends estimated quarterly tax payment provisions.

Sales Tax on Kerosene: The bill restructures tax collection requirements for kerosene to eliminate specialized tax filing.

Gasoline Use Tax Filing and Remittance: It streamlines the filing requirements for Gasoline Use Tax to eliminate multiple filing requirements.

Remittance of Listed Taxes: It specifies the liability and remittance requirements for the Gross Retail Tax, Gasoline Use Tax, and other listed taxes in certain circumstances.

Transportation of Passengers and Household Goods: It amends provisions that apply to passenger and household goods carriers.

Indiana529 Plans: The bill amends the college savings tax credit. It replaces the term "college choice 529 education savings plan" with "Indiana529 plan."

Taxation of Heated Tobacco Products: The bill provides that heated tobacco products (HTPs) are subject to the Cigarette Tax and are not taxed as a vapor product under the Electronic Cigarette Tax. It specifies the rate of taxation for HTPs under the Cigarette Tax.

Closed System Cartridge Tax: It also makes a clarifying change to the Closed System Cartridge Tax.

License Renewal: The bill extends the renewal period from one year to two years for businesses licensed to collect the Electronic Cigarette Tax, Closed System Cartridge Tax, and Other Tobacco Products Tax.

Tax Exemption for Eligible Events: It provides various tax exemptions for the Women's National Basketball

Association All-Star Game, including ancillary events, when held in Indiana.

Information Reporting Agreements: It specifies that the fiscal officer of an entity that has adopted an innkeeper's tax, a food and beverage tax, or an admissions tax must enter into an agreement with the Department of State Revenue (DOR) before the DOR provides certain information to the fiscal officer as required under current law.

Disclosure: It also specifies when certain tax information may be disclosed by the DOR.

BMV Commission Fund Transfer: The bill provides for the transfer of certain funds from the Bureau of Motor Vehicles Commission Fund to the Motor Carrier Regulation Fund.

Pass Through Entity Tax: It makes a technical correction to the Pass Through Entity Tax.

Property Tax Deduction: It amends provisions in the assessed value deduction for individuals who are blind or disabled and makes corresponding changes.

Effective Date: (Amended) Upon passage; January 1, 2012 (retroactive); January 1, 2024 (retroactive); July 1, 2024 (retroactive); January 1, 2025

Explanation of State Expenditures: *Use Tax Filing and Remittance:* The bill changes Gasoline Use Tax filing requirements beginning January 1, 2026. It changes the tax filing with the DOR from a semimonthly requirement to a monthly requirement. It also changes a separate monthly filing requirement with the DOR concerning total taxes paid and gallons sold and instead requires this report to be filed quarterly. The bill changes the tax remittance requirement with the DOR from a semimonthly to a monthly requirement. These changes are expected to decrease the workload of the DOR.

Sales Tax on Kerosene: Currently, kerosene is not subject to Sales Tax. However, retail merchants are required to collect Sales Tax on kerosene and remit this tax revenue to the DOR, and purchasers can apply to the DOR for a refund of taxes paid. Under the bill, Sales Tax on kerosene will no longer be collected by retail merchants and remitted to the agency starting January 1, 2026. This change will reduce DOR administrative work to (1) process filings submitted from retailers and (2) possibly process tax refund requests.

License Renewal: The bill would decrease the DOR's workload of administering license renewal for businesses that collect Electronic Cigarette Tax, Closed System Cartridge Tax, and Other Tobacco Products Tax.

Indiana529 Plans: The bill would reduce workload for the Indiana Education Savings Authority. Under the bill, the Indiana Education Savings Authority would no longer be required to use subaccounting to designate whether contributions or withdrawals to Indiana529 plans are designated for qualified higher education expenses or for qualified K-12 education expenses.

Taxation of Heated Tobacco Products: The DOR could incur expenses to revise forms, instructions, and computer programs related to the HTP tax rate change. This provision can be implemented within existing staffing and resource levels.

(Revised) *BMV Commission Fund Transfer:* The bill would require the BMV to transfer between \$1.97 M

and \$2.33 M from the BMV Commission Fund to the DOR's Motor Carrier Regulation Fund for transactions that were processed by the DOR's Motor Carrier Division between July 1, 2024, and the bill's date of passage.

Commercial Carrier Overcharges: The bill transfers who processes civil action filings for commercial carrier overcharges from the DOR to the Attorney General. The shift in workload is expected to be accomplished within existing resource and funding levels.

Transportation of Passengers and Household Goods: The bill updates statute to reflect how the DOR's Indiana Operating Authority program currently operates concerning the transportation of passengers and household goods. These changes are expected to have no impact on the workload of the DOR.

Disclosure: The provision in the bill changing the disclosure requirements related to listed taxes will not have any fiscal impact.

Explanation of State Revenues: *Tax Exemption for Eligible Events:* The bill extends the existing state and local tax exemption for activities relating to an NFL Super Bowl, NCAA Men's and Women's Final Fours, and NBA All-Star Weekend to include a WNBA All-Star Weekend. All revenues, expenditures, and transactions of the WNBA and its affiliates in connection with the WNBA All-Star Weekend and resulting from holding the associated events in Indiana or making preparatory advance visits to Indiana in connection to the event will be exempt from all state and local taxes. The exemption would not apply to salaries and wages paid to employees of the WNBA and its affiliates that are ordinarily subject to Indiana state and local income tax.

The amount of state taxes from the WNBA and its affiliates that could be forgone due to this bill is indeterminable. The forgone revenue could be significant if a WNBA All-Star Weekend is held in Indiana. However, this could be offset by a potentially significant increase in other tax revenue generated from the events.

Sales Tax on Kerosene: To the extent retail consumers of kerosene do not apply for Sales Tax refunds, discontinuing collecting Sales Tax on kerosene at the pump could decrease General Fund revenue from collections. Annual decreases in Sales Tax on kerosene are estimated to be approximately \$700,000 per year, with a potential loss of \$350,000 in revenue during FY 2026 due to the provision's effective date of January 1, 2026.

License Renewal: This provision is estimated to reduce the distributor's license fee revenue by half beginning in FY 2026. License fee revenue was \$11,000 in FY 2023 and \$9,000 in FY 2024. The fees are deposited in the General Fund and dedicated funds.

Penalty Enhancements: The bill enhances the criminal penalty for intrastate motor carriers who (1) fail to display identification and (2) illegally augment equipment, from a Class C infraction to a Class C misdemeanor.

This bill potentially increases revenue to the Common School Fund, but could reduce revenue that is deposited in the state General Fund. However, any change in revenue is likely to be small. Currently, the maximum judgment for a Class C infraction is \$500, which is deposited into the state General Fund, while the maximum fine for a Class C misdemeanor is \$500, which is deposited into the Common School Fund. The state General Fund may receive additional court fee revenue. However, the amount is likely to be small.

Remittance of Listed Taxes: The bill clarifies for purposes of Sales and Use Tax and other listed taxes that a taxpayer that did not pay the tax that was owed at the time of purchase is liable to remit the tax to the DOR. These provisions could result in a small increase in revenue to the General Fund and state dedicated funds.

(Revised) *Motor Carrier Regulation Fund:* The bill provides that a portion of the distributions from transactions completed by the DOR Motor Carrier Services Division would be deposited into the Motor Carrier Regulation Fund rather than depositing 100% of these distributions into the BMV Commission Fund (as is current practice) retroactive to July 1, 2024. The bill would affect the following transactions completed by the DOR: speed title fee, title fee, duplicate title fees, license plate fees, recovery vehicle registration fees, fees associated with the expiration, replacement, or transfer of registrations, and delinquent registration fees.

The bill would require a one-time transfer from the BMV Commission Fund to the Motor Carrier Regulation Fund between \$1.97 M and \$2.33 M upon passage to account for transactions that occurred between July 1, 2024, and the bill's effective date. Annually thereafter, the Motor Carrier Regulation Fund would receive between \$2.16 M and \$2.54 M in additional revenue, whereas the BMV Commission Fund would see a reduction in annual revenue by that same amount.

Estimated Payments: The provisions in the bill making changes to the estimated payment requirement will have minimal fiscal impact. The provisions could increase or decrease the revenue collected from income taxpayers and deposited in the General Fund.

(Revised) *Taxation of Heated Tobacco Products:* The bill specifies a separate tax rate for cigarettes for heating beginning January 1, 2026. It also clarifies that devices intended for heating cigarettes are not taxed as vapor products under the Electronic Cigarette Tax. [Under current law, cigarettes for heating would be taxed at the same rate as all other cigarettes, and the devices used to heat cigarettes would not be subject to tax other than sales tax.] These provisions could reduce Cigarette Tax revenue by an indeterminable amount. The impact will ultimately depend on the growth in sales of heated tobacco products.

Pass Through Entity Tax: The bill corrects a citation to the Individual Income Tax rate, which is also the Pass Through Entity Tax rate, codifying current practice. This provision will have no fiscal impact.

Explanation of Local Expenditures: *Penalty Enhancements:* Local expenditures could increase if offenders are incarcerated in local jails instead of being only fined. However, any cost increase is likely to be small. A Class C misdemeanor is punishable by up to 60 days in jail.

Information Reporting Agreements: The bill clarifies a provision in current law requiring the fiscal officer of an entity that has adopted an innkeeper's tax, a food and beverage tax, or an admissions tax and a capital improvement board of managers to enter into an agreement with the DOR for the DOR to provide them with information related to those taxes. The local entities can likely implement this provision within existing resource levels.

Explanation of Local Revenues: *Tax Exemption for Eligible Events:* The bill exempts the WNBA and its affiliates from all local taxes, including the Marion County Admissions Tax, in connection with or resulting from a WNBA All-Star Weekend held in Indiana. The exemption includes all ancillary events associated with the WNBA All-Star Weekend [See discussion in *Explanation of State Revenues.*]

The amount of local tax from the WNBA and its affiliates that could potentially be forgone is indeterminable. However, this could be offset by a potentially significant increase in other tax revenue generated from this

event.

Penalty Enhancements: Local governments could receive additional revenues from any court fees that are collected for cases that were infractions and are now misdemeanors.

Remittance of Listed Taxes: The bill clarifies for purposes of listed taxes, including innkeeper's taxes and food and beverage taxes, that a taxpayer that did not pay the tax that was owed at the time of purchase is liable to remit the tax. This provision could result in a small increase in revenue collected by and/or distributed to local governments.

Property Tax Deduction: The bill clarifies that the income threshold for individuals to qualify for the blind or disabled deduction is the individual's adjusted gross income as defined in Section 62 of the Internal Revenue Code. This provision will have no fiscal impact.

State Agencies Affected: Department of State Revenue; Indiana Education Savings Authority; Department of Correction; Bureau of Motor Vehicles; Attorney General.

Local Agencies Affected: Local units that have adopted innkeeper's, food and beverage, and admissions taxes; local units in which a WNBA All-Star Weekend is conducted; trial courts; local law enforcement agencies.

Information Sources: Patrick Price, DOR; <https://www.in.gov/dor/files/sib15.pdf>; <https://www.in.gov/dor/motor-carrier-services/usdot-and-ucr/indiana-intrastate-passenger-and-household-good-authority/>; Energy Information Administration Kerosene

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