(Amended) This bill has the following provisions.

(1) Imposes spending limits on state general spending.

Gaming Provisions:
(2) Provides that a riverboat may implement flexible scheduling after submitting a plan and obtaining the approval of the Gaming Commission.
(3) Provides that a riverboat that implements flexible scheduling may conduct gambling games and allow the continuous ingress and egress of passengers for the purpose of gambling while the riverboat is docked.
(4) Provides that a riverboat that implements flexible scheduling is subject to a $3 Admissions Tax for each person admitted to the riverboat and a graduated Wagering Tax with a top rate of 35% for adjusted gross receipts that exceed $150,000,000.
(5) Provides that in the case of a riverboat that does not implement flexible scheduling the Admissions Tax remains $3 for each person admitted to a gambling excursion and the Wagering Tax is increased to 22.5%.
(6) Provides that beginning in 2003 the various entities receiving riverboat Admissions Taxes and Wagering Taxes may not receive more tax revenue than each entity received in 2002.
(7) Provides that if the Admissions Tax revenue received by an entity in a state fiscal year is less than the entity's 2002 revenue, the entity shall receive a supplemental distribution equal to the difference from Wagering Tax revenues deposited into the Property Tax Replacement Fund.
(8) Provides that the excess Admissions and Wagering Tax revenues that would exceed the entity's 2002 Admissions or Wagering Tax revenues, be deposited into the Property Tax Replacement Fund.
(9) Provides that the first $33,000,000 of wagering taxes collected in a state fiscal year shall be set aside for revenue sharing.
(10) Provides revenue sharing to the counties that do not have riverboats based upon population.
(11) Distributes revenue sharing money within the counties to the cities, towns, and counties by population within the county.
(12) Provides Wagering Taxes not set aside for revenue sharing or designated for distribution to the cities
and counties that are the home docks of the riverboats shall be paid to the Property Tax Replacement Fund.

(13) Provides for a distribution from the Property Tax Replacement Fund to the Build Indiana Fund.
(14) Establishes the Indiana Department of Gaming Research to research gaming issues.

Property Tax Issues:
(15) Reinstates the old administrative rules concerning personal property assessment beginning with the March 1, 2003, assessment date.
(16) For the March 1, 2002, assessment date, requires the assessment of tangible personal property under the new rules, except that assessment of construction in process at 10% of cost and the 35% inventory adjustment under the old rules apply.
(17) Establishes a property tax exemption for certain inventory that is altered into a new form and will be shipped, or will be incorporated into personal property that will be shipped, to a destination outside Indiana.
(18) Establishes a 100% deduction for the assessed value of inventory beginning with assessments made in 2006.
(19) Authorizes a county to provide a property tax deduction equal to 100% of the assessed value of inventory in that county for assessments made in a calendar year that ends before January 1, 2006.
(20) Provides that a county may impose an additional Economic Development Income Tax for the purpose of providing increased homestead credits to offset a county or statewide inventory tax deduction.
(21) Changes the assessed value growth quotient formula to allow property tax levies to increase at the rate that Indiana nonfarm personal income increases.
(22) Increases the standard property tax deduction for homesteads from $6,000 to $35,000.
(23) Increases the homestead credit to 20% beginning in 2003.
(24) Increases the property tax replacement credit (PTRC) rate for all property taxes levied for a school general fund to 60%.
(25) Provides that the PTRC rate for real property owned by individuals and businesses and for personal property owned by an individual is 20%.
(26) Provides additional remedies for the TIF areas that have reduced revenues as a result of certain changes in property tax laws.

Other Tax Provisions:
(27) Establishes a Utilities Receipts Tax.
(28) Eliminates references to the Gross Income Tax in various laws.
(29) Increases the Sales Tax from 5% to 6%.
(30) Increases the Adjusted Gross Income Tax on corporations from 3.4% to 8.5%.
(31) Eliminates the Adjusted Gross Income Tax exemption for lottery winnings that exceed $1,200.
(32) Establishes procedures for withholding Adjusted Gross Income Taxes from riverboat gambling winnings and lottery winnings.
(33) Increases the renter's deduction from $2,000 to $2,500.
(34) Extends the earned income tax credit through 2005 and sets the credit at 6% of the federal earned income tax credit.
(35) Extends the research expense credit through 2004, eliminates the apportionment formula, and increases the credit from 5% to 10%.
(36) Establishes a venture capital investment tax credit.
(37) Increases the Gasoline Tax by 3 cents per gallon (to 18 cents per gallon).
(38) Increases the Cigarette Tax from $0.155 per pack to $0.555 per pack.
(39) Increases the Tobacco Products Tax from 15% to 18%.
Miscellaneous Provisions:

(40) Prohibits the closure of Evansville State Psychiatric Treatment Center for Children without legislative approval and establishes certain protections for employees of the center.

(41) Authorizes a redevelopment commission to establish a certified technology park under certain conditions to promote high technology activities by capturing incremental property tax proceeds and incremental income taxes and sales taxes attributable to the technology park.

(42) Repeals: (1) the Gross Income Tax and the offsetting credit against Adjusted Gross Income Tax for Gross Income Tax paid by a taxpayer; (2) the Supplemental Net Income Tax; (3) a redundant provision concerning the Northwest Indiana Law Enforcement Training Center; (4) the $37,500 business personal property tax credit against state tax liability; and (5) the obsolete Bank, Production Credit Association, and Savings and Loan Association Taxes.

(43) Voids rules of the Department of Local Governmental Finance concerning the shelter allowance and the personal property tax manual.

(44) Cancels the appropriation made in the 2001 Budget Bill to the Twenty-first Century Research and Technology Fund and appropriates $15,000,000 to that fund from the state General Fund for FY 2003 and FY 2004.

(45) Requires a notice from assessing officials to homeowners to described the property tax relief granted by this act.

(46) Makes other changes.

Effective Date: (Amended) January 1, 2002 (retroactive); upon passage; July 1, 2002; August 1, 2002; December 1, 2002; January 1, 2003; July 1, 2003; January 1, 2004.

Explanation of State Expenditures:

Summary — This bill contains several provisions that impact state expenditures and revenues. There is a net increase in estimated expenditures of $437.4 M in FY 2003, $976.9 M in FY 2004, and $1,098.5 M in FY 2005. Estimated net revenue increases total $1,005.5 M in FY 2003, $1,487.3 M in FY 2004, and $1,553.9 M in FY 2005. The net impact of the revenue increases over estimated expenditure is approximately $568.1 M in FY 2003, $510.4 M in FY 2004, and $455.4 M in FY 2005. The fiscal impact of each provision is summarized in the table below.
## Net Expenditure and Revenue Impacts on GF and PTRF

<table>
<thead>
<tr>
<th>Provision</th>
<th>FY 2003</th>
<th>FY 2004</th>
<th>FY 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homestead Credit- (20%)</td>
<td>$77.7 M</td>
<td>$248.8 M</td>
<td>$351.9 M</td>
</tr>
<tr>
<td>PTRC - Eliminate on All Property</td>
<td>(474.9 M)</td>
<td>(962.7 M)</td>
<td>(988.7 M)</td>
</tr>
<tr>
<td>PTRC- 20% on Real Prop, MH’s, Indiv PP</td>
<td>286.3 M</td>
<td>595.2 M</td>
<td>626.1 M</td>
</tr>
<tr>
<td>School General Fund PTRF Credit #</td>
<td>533.5 M</td>
<td>1,081.3 M</td>
<td>1,110.5 M</td>
</tr>
<tr>
<td>School Transportation Fund PTRC Savings</td>
<td>(0.2 M)</td>
<td>(0.7 M)</td>
<td>(1.3 M)</td>
</tr>
<tr>
<td>21st Century Research &amp; Technology Fund</td>
<td>15.0 M</td>
<td>15.0 M</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Change in Expenditures</strong></td>
<td>$437.4 M</td>
<td>$976.9 M</td>
<td>$1,098.5 M</td>
</tr>
<tr>
<td><strong>State Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cigarette Taxes</td>
<td>$268.2 M</td>
<td>$293.5 M</td>
<td>$295.0 M</td>
</tr>
<tr>
<td>Corp. Gross- Elimination</td>
<td>(81.7 M)</td>
<td>(168.2 M)</td>
<td>(173.2 M)</td>
</tr>
<tr>
<td>Corp. AGI Increase/SNIT Elimination</td>
<td>28.6 M</td>
<td>58.9 M</td>
<td>60.7 M</td>
</tr>
<tr>
<td>Utility Taxes</td>
<td>29.1 M</td>
<td>59.9 M</td>
<td>61.7 M</td>
</tr>
<tr>
<td>Earned Income Tax Credit- 6% Fed. Credit</td>
<td>(8.7 M)</td>
<td>(21.4 M)</td>
<td>(22.7 M)</td>
</tr>
<tr>
<td>PPTRC: Elimination of $37,500 AV Credit</td>
<td>--</td>
<td>96.0 M</td>
<td>97.9 M</td>
</tr>
<tr>
<td>Renter’s Deduction- Additional $500</td>
<td>--</td>
<td>(10.9 M)</td>
<td>(11.1 M)</td>
</tr>
<tr>
<td>Research Expense Credit</td>
<td>(23.0 M)</td>
<td>(47.9 M)</td>
<td>(24.8 M)</td>
</tr>
<tr>
<td>Sales Tax - Additional 1%</td>
<td>393.0 M</td>
<td>806.4 M</td>
<td>827.4 M</td>
</tr>
<tr>
<td>Taxation of Lottery Winnings</td>
<td>3.9 M</td>
<td>3.9 M</td>
<td>3.9 M</td>
</tr>
<tr>
<td>Withholding on Gambling Winnings</td>
<td>15.0 M</td>
<td>15.0 M</td>
<td>15.0 M</td>
</tr>
<tr>
<td>Riverboat Admissions Tax</td>
<td>(38.0 M)</td>
<td>(36.2 M)</td>
<td>(34.4 M)</td>
</tr>
<tr>
<td>Riverboat Wagering Tax*</td>
<td>290.4 M</td>
<td>314.6 M</td>
<td>339.8 M</td>
</tr>
<tr>
<td>Cap on Riverboat Wagering Tax to BIF</td>
<td>128.7 M</td>
<td>128.7 M</td>
<td>128.7 M</td>
</tr>
<tr>
<td>Venture Capital Investment Tax Credit</td>
<td>--</td>
<td>(5.0 M)</td>
<td>(10.0 M)</td>
</tr>
<tr>
<td><strong>Total Change in Revenues</strong></td>
<td>$1,005.5 M</td>
<td>$1,487.3 M</td>
<td>$1,553.9 M</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td>$568.1 M</td>
<td>$510.4 M</td>
<td>$455.4 M</td>
</tr>
</tbody>
</table>

**Homestead Credit Increase:** Currently, Homestead Credits are equal to 10% of homeowners’ property tax liability. The Homestead Credit percentage is scheduled to change to 4% in CY 2004. This provision would...
increase the Homestead Credit percentage to 20% for all years beginning with CY 2003. In CY 2001, Homestead Credits (at 10%) amounted to $195.5 M.

In addition to the increase in the Homestead Credit rate, the credits for school levies and the various deductions and exemptions found elsewhere in this bill will also have an impact in the cost of providing homestead credits. Under the bill, homestead credit would be applied after PTRC credits have been applied. The following table summarizes all of the changes in this bill that affect the cost of the Homestead Credit. The school levy credits and AV deduction changes were considered first. The resulting Homestead Credit cost serves as the base for the change in the credit percentage.

<table>
<thead>
<tr>
<th>Cal. Year</th>
<th>Current %</th>
<th>New %</th>
<th>Cost Change From School Credits / Deductions</th>
<th>Cost Change From Percentage Change</th>
<th>Total Cost Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>10%</td>
<td>20%</td>
<td>($47.2 M)</td>
<td>$202.6 M</td>
<td>$155.4 M</td>
</tr>
<tr>
<td>2004</td>
<td>4%</td>
<td>20%</td>
<td>(16.1 M)</td>
<td>358.2 M</td>
<td>342.1 M</td>
</tr>
<tr>
<td>2005</td>
<td>4%</td>
<td>20%</td>
<td>(17.0 M)</td>
<td>378.7 M</td>
<td>361.7 M</td>
</tr>
</tbody>
</table>

The following table is a summary of the total Homestead Credit cost changes by state fiscal year.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Cost Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$77.7 M</td>
</tr>
<tr>
<td>2004</td>
<td>248.8 M</td>
</tr>
<tr>
<td>2005</td>
<td>351.9 M</td>
</tr>
</tbody>
</table>

*Property Tax Replacement Credit:* Under current law, the state pays Property Tax Replacement Credits (PTRC) in the amount of 20% on most school and civil taxing unit operating fund levies. PTRC is currently paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund.

Under this proposal, business personal property would no longer qualify for PTRC payments beginning in CY 2003. Real property, mobile homes, and non-business personal property would continue to qualify for PTRC payments and the PTRC rate would remain at 20%. The PTRC expense was $886.5 M in CY 2001 and has grown at an average annual rate of 4.3% over the last five years.

In addition to the change in property types that qualify for the credit, the school property tax credits found elsewhere in this bill will also have an impact in the cost of providing Property Tax Replacement Credits. The following table contrasts the cost of PTRC under current law and under the proposal.
The following table is a summary of the total PTRC cost changes by state fiscal year.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Cost Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$(188.6 M)</td>
</tr>
<tr>
<td>2004</td>
<td>$(367.5 M)</td>
</tr>
<tr>
<td>2005</td>
<td>$(362.5 M)</td>
</tr>
</tbody>
</table>

**School General Fund PTRF Credit.** The bill replaces 60% of the gross school general fund property tax levy through the payment of additional state property tax replacement credits. The school formula and school budget process remain unchanged. The statewide total school general fund levy is estimated at $1,778.2 M in CY 2003. No school formula currently exists for CY 2004. Assuming a 2.7% annual increase in levies, the levies eligible for the 60% credit are estimated to be $1,826.2 M in CY 2004 and $1,875.5 M in CY 2005. School general fund credit expenditures from the Property Tax Replacement Fund are estimated at about $533.5 M for FY 2003 (½ of CY 2003), $1,081.3 M for FY 2004, and $1,110.5 M for FY 2005.

**School Transportation Fund PTRC Savings:** The state pays PTRC on school transportation fund levies. As a result of the change that this bill makes in calculating the maximum levies for these funds, the levies and the state PTRC paid on those levies will be reduced slightly. The state is expected to save approximately $0.2 M in FY 2003, $0.7 M in FY 2004, and $1.3 M in FY 2005.

**21st Century Research and Technology Fund:** The bill appropriates $15 M from the state General Fund to the 21st Century Research and Technology Fund in FY 2003 and FY 2004.

**Earned Income Tax Credit Refunds:** The refundable portion of the earned income tax credit (EITC) qualifies as Maintenance of Effort (MOE) expenditures and would contribute toward the state's annual MOE requirement under the Temporary Assistance to Needy Families (TANF) program. Based on simulations using 1999 tax return data, EITC refunds for those eligible under current law total an estimated $13.8 M. The simulations also suggest that refunds under the bill would increase by about $1 M.

**PTRC Distributions:** The state currently makes six Property Tax Replacement Credit distributions to county treasurers each calendar year from the Property Tax Replacement Fund (PTRF). Under HEA 1001 (2001), the May 2001 distribution was delayed until July 2001. After 2001, the original payment schedule is to be resumed. This means that the last FY 2001 payment was delayed until FY 2002, thereby creating five payments in FY 2001 and seven payments in FY 2002. This bill would require that the alternative schedule
is to be used each year. The continued delay of the May payment until July would reduce the number of payments in FY 2002 from seven to six and reduce state expenditures from the PTRF by about $154 M in FY 2002.

**Expenditure Limits:** This bill establishes a maximum annual percentage change for state government expenditures to be based on the percentage change in Indiana non-farm personal income over the last six calendar years. The bill excludes expenditures of revenue derived from gifts, federal funds, dedicated funds, intergovernmental transfers, damage awards, or property sales. Expenditures from transfers of funds between the General Fund, the PTRF and Rainy Day Fund, reserve fund deposits, refunds of intergovernmental transfers, state capital projects, judgements or settlements, distributions of specified state tax revenues to local units, and Motor Vehicle Excise Tax replacement payments are also exempt from the expenditure limits. The expenditure limit is applied to appropriations from the General Fund, the Property Tax Replacement Fund, and the Counter-Cyclical Revenue and Economic Stabilization Fund (Rainy Day Fund).

The bill directs the Budget Agency to compute the new state spending growth quotient before December 31 in each even-numbered year. The state spending growth quotient is equal to the lesser of the six-year average increase in Indiana non-farm personal income or 6%. The bill allows the state spending cap to be increased or decreased to account for new or reduced taxes, fees, exemptions, deductions, or credits adopted after June 30, 2002.

This provision applies to appropriations beginning in FY 2004. The bill limits expenditure increases to 3.5% annually for FY 2004 and FY 2005. The new formula for expenditure limits would take effect beginning FY 2006.

The FY 2004 expenditure limit is equal to FY 2003 appropriations minus $243 M (for certain reversions made by state agencies) multiplied by 1.035. According to the November 14, 2001, Surplus Statement, FY 2003 budgeted appropriations are $10,497.9 M. The FY 2004 spending cap would be limited to $10,613.8 M and $10,985.3 M in FY 2005.

**Income Tax Changes:** The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs due to: (1) the change in the individual AGI tax rate; (2) withholding requirements for gambling and lottery winnings; and (3) changes to the renter’s deduction, earned income tax credit, and exemption for lottery winnings. These expenses presumably can be absorbed given the DOR’s existing budget and resources.

**Certified Technology Parks:** The bill requires the Indiana Department of Commerce (IDOC), the Department of Revenue (DOR), and the State Treasurer to perform functions relating to the technology parks. These agencies should be able to perform these functions under current budget and resource levels.

The bill requires the IDOC to certify technology parks proposed by local redevelopment commissions and specifies an application and review process to be followed by the IDOC. The bill also requires the DOR to determine the base gross retail and income tax base period amounts for a certified technology park. Every October, the DOR is required to calculate the incremental income and sales tax revenues for each technology park for the preceding state fiscal year. The bill also requires the State Treasurer to establish an Incremental Tax Financing Fund for each certified technology park. The bill limits the aggregate amount of income and sales tax that can be deposited in a particular incremental tax financing fund for a certified technology park to $5 M over the life of the park. Each month, money in a technology park’s Incremental Tax Financing Fund is distributed to the redevelopment commission operating the park for deposit in its Certified Technology
Venture Capital Investment Tax Credit: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this credit. Due to the annual limit on credits that may be granted, the DOR also would have to chronologically order claims for the tax credit each year and approve credits in this order. Claims for the credit could not be approved once the annual maximum is reached. Under the bill, the taxpayer would have to claim the tax credit on a state tax return or returns in a manner prescribed by the DOR. In addition, the bill would require the taxpayer to provide the DOR with proof of the qualified investment and all information that the DOR determines necessary for the calculation of the tax credit. The expenses relating to these changes and additional responsibilities presumably could be absorbed given the DOR’s existing budget and resources.

The Indiana Department of Commerce (IDOC) is required to certify qualified businesses for purposes of the tax credit. A business must apply to IDOC for the certification. The IDOC must provide a copy of the certification to investors in the business for inclusion in tax filings. The bill allows the IDOC to impose an application fee of not more than $200.

Evansville State Psychiatric Treatment Center for Children: This bill has certain provisions regarding the downsizing or closure of Evansville State Psychiatric Treatment Center for Children (EPCC). The Division of Mental Health and Addiction may not terminate, in whole or in part, normal patient care or other operations at EPCC without the specific statutory authority of the General Assembly. The Division is prohibited from reducing staffing levels at EPCC below those in effect on January 1, 2002. Further, the Division may not remove, transfer, or discharge any patient unless it is in the patient’s best interest. The Division is also prohibited from interfering in the admission of patients to the Evansville State Psychiatric Treatment Center for Children. FSSA estimates that these provisions will result in the elimination of savings of $1.6 M. These funds were originally planned to pay for community placements and services for patients housed at the facility. In addition, this bill contains provisions for the Division of Disability, Aging, and Rehabilitative Services.

Department of Gaming Research: The bill establishes the Indiana Department of Gaming Research under the control of the Governor who shall appoint or employ the executive director and others in the Department. The Department is required to research and analyze data and public policy issues relating to all aspects of gaming in Indiana for the enhancement of (1) the Indiana Lottery, (2) pari-mutuel horse racing, (3) charity gaming, and (4) riverboat casino gambling. The bill also requires the Department to study and make findings and recommendations on (1) alternative methods of taxing gaming entities; (2) the impact of flexible boarding on the gaming industry; (3) the impact of breed development programs and sire stakes racing in Indiana; and (4) other issues considered appropriate for the Department by the Indiana Lottery Commission, Indiana Horse Racing Commission, Department of State Revenue, or the Indiana Gaming Commission. The bill requires the Department to impose an annual fee of $25,000 on each licensed riverboat in Indiana and each pari-mutuel permit holder. This fee would generate $300,000 annually to fund the operations of the Department.

Explanation of State Revenues:

Cigarette Taxes: This bill increases the Cigarette Tax on packs of 20 cigarettes to $0.555 from the current rate of $0.155 and adjusts the statutory percentage distribution of Cigarette Tax revenue. Based on data from the November 14, 2001, Revenue Forecast Update, the proposed Cigarette Tax rate and distributional
changes will generate an additional $268.2 M in FY 2003, $293.5 M in FY 2004, and $295.0 M in FY 2005. The additional revenue is to be deposited into the state General Fund.

**Corporate Taxes:** This bill eliminates the Gross Income Tax and the Supplemental Net Income Tax and establishes a Corporate Adjusted Gross Income Tax at a rate of 8.5% applied to apportioned Indiana AGI.

This bill eliminates the Indiana Corporate Gross Income Tax, IC 6-2.1, as of December 31, 2002, for all business except utilities (which are now subject to a Utility Receipts Tax as explained below). Taxpayers filing on a calendar year basis will end their year and pay the final payment on April 15, 2003. Fiscal year Corporate Gross Income Tax filers will also end their year on December 31, 2002, and make a payment for the shortened tax year on April 15, 2003. They may then begin a new shortened year in 2003 to re-establish their fiscal year for tax purposes.

**Background:** Currently the Corporate Gross Income Tax applies to regular corporations who must compute their gross tax liability and their adjusted gross tax liability and pay the greater of the two. A corporation must then subtract that liability from apportioned Indiana Adjusted Gross Income (AGI) and pay Supplemental Net Income Tax (SNIT) at a rate of 4.5% on that tax base. The effective tax rate for a taxpayer paying Adjusted Gross Income Tax and Supplemental Net Income Tax is 7.747%.

**Methodology:** The impact of eliminating the Gross Income Tax is estimated by calculating Indiana Corporate AGI from Supplemental Net Income Tax payments. By applying the effective rate of 7.747% to the tax base and subtracting total corporate tax receipts for a given year, the effect of the Gross Income Tax on Indiana’s corporate income tax revenue is isolated. The estimate of revenue lost in FY 2003, one-half the annual total for that year, is $81.7 M, $168.2 M in FY 2004, and $173.2 M in FY 2005.

Increasing the tax rate from an effective rate of 7.747% to 8.5% on apportioned Indiana AGI is effective for taxable years beginning after December 31, 2002. Therefore, it would take effect mid-way through state FY 2003. If corporations adjusted tax payments immediately, the impact is estimated to be an additional $28.6 M in FY 2003. It is likely that taxpayers will not adjust on time and that most taxpayers will not remit the full amount for the higher rate until filing after the end of their fiscal year. In that case most or all of the $28.6 M will be shifted into FY 2004. Adjusted Gross Income Tax revenue collections would increase by an additional $58.9 M in FY 2004, and $60.7 M in FY 2005.

**Taxation of Public Utilities Income:** This bill creates a Utilities Receipts Tax rate on gross receipts of retail activity at a rate of 1.4%. Utilities would also pay the corporate Adjusted Gross Income Tax, but would no longer pay the SNIT. The interaction of these tax changes will effectively increase revenue from public utilities by approximately $58.2 M in CY 2003. Based on estimated payments, an additional $29.1 M would be generated in FY 2003, $59.9 M in FY 2004, and $61.7 M in FY 2005.

**Expansion of Earned Income Tax Credit:** The bill eliminates the current Earned Income Tax Credit (EITC) and establishes a credit equal to 6% of the federal Earned Income Credit only in tax years 2003, 2004, and 2005. The current EITC is scheduled to sunset after tax year 2003. The proposed EITC would sunset after tax year 2005. The bill is estimated to increase the cost of the EITC above the current base cost of the credit by approximately $8.7 M in FY 2003, $21.4 M in FY 2004, and $22.7 M in FY 2005.

Federal income tax data for tax year 1999 indicates that the federal credit was claimed on 356,503 income tax returns filed by Indiana residents. These credits totaled $556.6 M. The estimates are based on the 1999 total inflated by 3.5% to reflect recent annual growth in the credit total. The net revenue loss assumes a base
cost equal to $17.5 M for the current EITC. Data from 1999 state income tax records indicates that approximately 105,000 taxpayers were eligible to claim the EITC under current law. The credit amount available to these taxpayers is estimated to total $17.5 M. The FY 2003 total assumes that the change to the EITC will affect monthly withholding during the second half of the fiscal year.

*Personal Property Tax Credit:* This bill would repeal the existing $37,500 AV credit against state tax liability for personal property (PPTRC). The cost of the credit under current law is estimated at $96.0 M in FY 2004 and $97.9 M in FY 2005. The state would not experience this revenue reduction under the proposal.

*Increase in Renter’s Deduction:* The bill increases the renter’s deduction from $2,000 to $2,500 beginning in tax year 2003. The revenue loss from this change is estimated to total $10.9 M in FY 2004 and $11.1 M in FY 2005. Under current law, a taxpayer may deduct from his or her state taxable income an amount equal to the total rent paid during a tax year up to $2,000. The rent deducted must be paid on the taxpayer’s principal place of residence. In 1999, 637,500 taxpayers deducted rent totaling approximately $1,187.9 M under the renter’s deduction. The estimated impacts are based on the 1999 deduction total inflated to account for trends before 1999 in the average deduction amount and number of taxpayers claiming the deduction.

*Research Expense Credit:* This bill eliminates the apportionment factor for the Research Expense Credit and increases the credit from 5% to 10% for tax years beginning January 1, 2003. It is currently set to expire December 31, 2002. This bill also extends the credit for 2 years. It is estimated that these changes will result in a revenue loss of approximately $23 M in FY 2003 (due to changes in estimated quarterly payments), $47.9 M in FY 2004, and $24.8 M in FY 2005.

Over the past four years, the current Research Expense Credit has ranged from $9.2 M in FY 1996 to $24.2 M in FY 1999. It is difficult to estimate the exact impact of continuing this tax credit since it is dependent on both the amount of research expenses individual taxpayers make during the year and their total tax liability.

*Apportionment Provision:* This modification would mean that the credit is based on the taxpayer’s Indiana qualified research expenses, rather than the lesser of its Indiana qualified research expenses or its apportioned research expenses for the tax year beginning January 1, 2004. Currently, only businesses that do not have income apportioned to the state for a taxable year may calculate their credit based on only Indiana research expenses.

This change would lower the tax liability for multi-state, Indiana-domiciled companies that conduct a significant proportion of their research in Indiana, compared to the research conducted through their non-Indiana operations. Elimination of the apportionment factor will allow all companies to compute their tax credit based on the amount of research actually conducted in the state. It is unknown how many Indiana businesses would be affected by this change.

*R ate Change:* The bill also increases the percentage of credit which may be taken for research and development activities from 5% to 10%.

With additional incentives created for research and development activity based in the state of Indiana, the revenue loss from this credit could increase by an indeterminable amount. The credit provides $100,000 for each $1 M in new research expenses. Increased expenditures on research activities could also generate additional Adjusted Gross Income and Sales Tax revenue if these expenses are used to hire additional employees or purchase related equipment.
Research expense tax credit affects revenue collections deposited in the General Fund.

*Sales & Use Tax:* This bill increases the Sales and Use Tax from 5% to 6% effective December 1, 2002. The bill also makes changes in the manner in which Sales and Use Tax revenue is distributed. The bill changes the distribution of the revenue so that revenue generated as a result of the tax increase is deposited into the Property Tax Replacement Fund.

The increase is expected to generate approximately $393.0 M in FY 2003, $806.4 M in FY 2004, and $827.4 M in FY 2005 in increased Sales Tax revenue. This estimate assumes that the Sales Tax revenue will grow 2.6% annually over FY 2003, FY 2004, and FY 2005. (This is the same rate forecast for FY 2002 by the Revenue Technical Committee on November 14, 2001.)

The bill also changes the distribution of Sales Tax revenue so that the funding levels of the Public Mass Transportation Fund, the Commuter Rail Service Fund, and the Industrial Rail Service Fund will remain at their current levels.

*Taxation of Lottery Winnings:* The bill scales back the Adjusted Gross Income (AGI) Tax exemption for winnings on Hoosier Lottery tickets. Under current law, all winnings on Hoosier Lottery tickets are exempt from AGITax. Under the bill, prize money exceeding $1,200 received from a single winning Hoosier Lottery ticket is taxable. This change is effective July 1, 2002. In addition, the bill requires that the AGI Tax due on taxable lottery prizes be withheld and remitted to the Department of Revenue even if federal withholding is not required. The change in the lottery winnings exemption is estimated to generate additional income tax revenue totaling about $3.9 M annually beginning in FY 2003. This estimate is based on the average of annual winnings totals for prizes of $1,200 or more awarded by the Hoosier Lottery from 1999 to 2001.

*Withholding on Gambling Winnings:* The bill requires riverboat casino owners to withhold and remit to the Department of Revenue (DOR) Adjusted Gross Income (AGI) Tax on gambling winnings of: (1) $1,200 or more from a slot machine play or (2) $1,500 or more from a keno game. The withholding threshold for keno game winnings is the net winnings reduced by the wager. This change is effective July 1, 2002. The bill requires withholding even if federal tax withholding is not required. The bill requires payment of withholdings on a next (business) day basis. This requirement is estimated to generate additional income tax revenue from nonresidents gambling at Indiana riverboats. The additional revenue is estimated to total about $15.0 M annually beginning in FY 2003. This estimate is based on (DOR) data from federal withholding statements for gambling winnings for resident and nonresident gamblers. The statements were filed by Indiana riverboats during 1999 and 2000 for gamblers winning at least $600. Almost all of the statements filed, however, reported winnings of $1,200 or more (only 192 out of 501,501 statements filed reported winnings of less than $1,200).

*Riverboat Gaming:* The bill permits a riverboat owner to commence flexible scheduling operations allowing for continuous boarding of riverboat patrons, if the owner submits an appropriate plan for flexible scheduling to the Indiana Gaming Commission. The change to flexible boarding is expected to increase both wagering and admissions on riverboats. The bill also makes changes to riverboat taxes and distributions of riverboat tax revenue and deposits additional riverboat tax revenue in the Property Tax Replacement Fund (PTRF). The impact of the bill on the PTRF is estimated to total $381.1 M in FY 2003, $407.1 M in FY 2004, and $434.1 M in FY 2005. This assumes that all riverboat casinos will implement flexible scheduling in FY 2003. The net impact of the bill on PTRF is outlined in the table below.
Revenue Source | FY 2003 | FY 2004 | FY 2005  
--- | --- | --- | ---
Admission Tax | (38.0 M) | (36.2 M) | (34.4 M)  
Shift of Base Wagering Tax Revenue from BIF to PTRF | 128.7 M | 128.7 M | 128.7 M  
New Wagering Tax Revenue to PTRF* | 290.4 M | 314.6 M | 339.8 M  
Net Additional Wagering Tax Revenue to PTRF* | 381.1 M | 407.1 M | 434.1 M  

*Net amount after subtraction of $33.0 M for Local Revenue Sharing.  
**Net amount after replacement of Admission Tax reductions.

It is important to note that the bill replaces reductions in Admission Tax revenue to state agencies and local units receiving Admission Tax distributions up to the FY 2002 distribution level from Wagering Tax revenue deposited in the PTRF. This subtraction is reflected in the net amounts in the table. It is also important to note that the new wagering tax revenue total is a net amount after subtraction of $33 M for local revenue sharing.

**Tax Distribution Caps:** The bill caps existing state distributions from the Admission Tax and the Wagering Tax. Under the bill, the annual distribution of Wagering Tax revenue to the Build Indiana Fund (BIF) is capped at $250 M minus the annual amounts distributed to the BIF from Lottery surplus, charitable gaming fees/taxes, and pari-mutuel wagering taxes. These sources are estimated to total $102.5 M annually. Thus, Wagering Tax to the BIF is estimated to total $147.5 M annually under the cap. Under the bill, revenue in excess of the cap is to be distributed to the PTRF. This allows for a shift of approximately $128.7 M annually in Wagering Tax revenue from the BIF to the PTRF.

All distributions of Admission Tax revenue to state agencies (the Horse Racing Commission, Division of Mental Health, and State Fair Commission) are capped at the FY 2002 distribution level. These distributions are estimated to total about $27.1 M to the Horse Racing Commission; $6.2 M to the State Fair Commission; and $4.2 M to the Division of Mental Health. It is important to note that the bill guarantees these distribution amounts. Under the bill, the expected reductions in Admission Tax revenue due to the change to a turnstile count basis for riverboats that implement flexible boarding are to be replaced by increased Wagering Tax revenue deposited in the PTRF.

**Riverboat Admission Tax:** Riverboats not implementing flexible scheduling will continue to pay the existing $3 Admission Tax in the same manner as under current law. Riverboats that implement flexible scheduling will pay the $3 Admission Tax only on the turnstile count of people entering the riverboat. Under current law, the Admission Tax is paid for each person embarking on a riverboat gaming excursion. An excursion can’t exceed four hours in length; typically gaming excursions last two hours. Thus, if a person embarks on two 2-hour gaming excursions, the riverboat will pay $6 in Admission Tax for that person. Under the bill, a riverboat implementing flexible scheduling will pay a $3 Admission Tax only when the person is admitted to the riverboat no matter how long they remain on the riverboat. Effectively, this change will reduce the existing tax base by one-half for riverboats implementing flexible scheduling. If all riverboats implement flexible boarding, Admission Tax revenue could potentially fall below the amount needed for capped state and local distributions. This shortage is estimated to total $38.0 M in FY 2003, $36.2 M in FY 2004, and $34.4 M in FY 2005. It is important to note that the bill replaces reductions in Admission Tax revenue.
revenue to state agencies receiving Admission Tax distributions up to the FY 2002 distribution level from Wagering Tax revenue deposited in the PTRF.

**Wagering Tax:** The bill increases the Wagering Tax on Riverboats not implementing flexible scheduling from 20% to 22.5%. For riverboats that implement flexible scheduling, the bill imposes a new graduated Wagering Tax on adjusted gross wagering receipts (AGR). The graduated tax structure is presented in the table below:

<table>
<thead>
<tr>
<th>Taxable Increment of Annual AGR</th>
<th>Tax Rate on Increment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25 M and under</td>
<td>15%</td>
</tr>
<tr>
<td>Over $25 M up to $50 M</td>
<td>20%</td>
</tr>
<tr>
<td>Over $50 M up to $75 M</td>
<td>25%</td>
</tr>
<tr>
<td>Over $75 M up to $150 M</td>
<td>30%</td>
</tr>
<tr>
<td>Over $150 M</td>
<td>35%</td>
</tr>
</tbody>
</table>

Provided that all riverboats implement flexible scheduling, the graduated Wagering Tax is expected to generate additional Wagering Tax revenue totaling $323.4 M in FY 2003, $347.6 M in FY 2004, and $372.8 M in FY 2005.

**Certified Technology Parks:** The bill allows a local redevelopment commission operating a certified technology park to capture up to $5 M over the life of the park in incremental revenue from the state income and sales taxes generated in the park (income tax revenue paid by employees working in the park and sales tax revenue paid by businesses in the park, in excess of the base amounts for each tax calculated before the establishment of the park).

**Venture Capital Investment Tax Credit:** This bill establishes a Venture Capital Investment Tax Credit for qualified venture capital investment after December 31, 2003. Thus, the credit will be effective beginning tax year 2004. Under the bill the credit can’t be claimed for qualified investment made after December 31, 2008, and total tax credits claimed each year can not exceed $10 M. As a result, the bill could potentially reduce revenue from various state taxes by up to $5 M in FY 2004 and up to $10 M annually beginning in FY 2005. The FY 2004 estimate assumes that taxpayers will qualify for credits in the first half of FY 2004 and that the credit recipients will adjust quarterly estimated payments accordingly.

Under the bill, a taxpayer (individual or entity) would be entitled to a non-refundable tax credit equal to the lesser of (1) 20% of qualified investment capital provided to a qualified Indiana business during a calendar year or (2) $500,000. The bill defines *qualified investment capital* as debt or equity capital provided to a qualified Indiana business. The bill limits total tax credits claimed to $10 M per year. Annually, credits would be granted in the chronological order in which returns claiming the credit are filed until the $10 M limit is reached. The credit could be taken against a taxpayer’s State Gross Retail and Use Tax, Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, or Insurance Premiums Tax liability. If the amount of the credit exceeds the taxpayer's liability, the excess credit could be carried forward to subsequent years. A taxpayer would not be entitled to a carryback or a refund of any unused credit. If a pass through entity does not have a tax liability, the credit could be taken by shareholders, partners, or members in proportion to their distributive income from the pass through entity.
Assessed Value Deductions and Exemptions: The state levies a small tax rate for State Fair and State Forestry. The AV deductions and Exemptions contained in this bill will reduce the property tax revenue for these two funds.

Gasoline Tax Increase: The bill provides that the Gasoline Tax be increased from $0.15 to $0.18 per gallon. The table below shows the additional revenues resulting from the three cent per gallon increase.

<table>
<thead>
<tr>
<th>FY</th>
<th>Total Increase</th>
<th>SHRCIF*</th>
<th>State Share SHF**</th>
<th>Local Share MVHA***</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$48.15M</td>
<td>$16.05 M</td>
<td>$16.05 M</td>
<td>$16.05 M</td>
</tr>
<tr>
<td>2004</td>
<td>$97.2M</td>
<td>$32.4 M</td>
<td>$32.4 M</td>
<td>$32.4 M</td>
</tr>
<tr>
<td>2005</td>
<td>$99.0 M</td>
<td>$33.0 M</td>
<td>$33.0 M</td>
<td>$33.0 M</td>
</tr>
</tbody>
</table>

* SHRCIF: State Highway Road Construction Improvement Fund  
** SHF: State Highway Fund  
*** MVHA: Motor Vehicle Highway Account.

The estimated additional revenue raised from each penny increase in the Gasoline Tax is provided in the table below.

<table>
<thead>
<tr>
<th>CY</th>
<th>One Cent Raises:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$32.1 M</td>
</tr>
<tr>
<td>2004</td>
<td>$32.7 M</td>
</tr>
<tr>
<td>2005</td>
<td>$33.3 M</td>
</tr>
</tbody>
</table>

Explanation of Local Expenditures:

Expenditure Limits: Distributions of state revenue to local units of government are dependent on the disposition of state appropriations.

Certified Technology Parks: After entering into the technology park agreement with the IDOC, a redevelopment commission must submit to the Department of State Revenue (DOR) certified copies of the IDOC designation of the technology park and the technology park agreement entered into with IDOC, as well as a complete list of the employers in the park and information on streets in the park. The DOR is then required to calculate the base amounts for income and sales taxes generated in the technology park.

If a redevelopment commission designates a certified technology park as a TIF area, it must publish notice of this action and of the public hearing on the subject and accept written remonstrances on this action. The bill also requires that the commission file information regarding the technology park with each taxing unit that levies property taxes in the park. If, after holding a public hearing, the redevelopment commission designates the TIF area, a person who submitted a written remonstrance may appeal the commission’s decision to the circuit or superior court of the county.
Explanation of Local Revenues:

Homestead Credit Increase: The increase in Homestead Credits would not affect local revenues. Homeowners’ property tax bills would be reduced by the additional credits, but the state would reimburse local taxing units for the lost revenue.

Local Option Income Tax Distributions: Under current law, counties that impose the County Option Income Tax (COIT) may provide a locally funded Homestead Credit up to an additional 8%. COIT revenue that is not used to fund the local Homestead Credit is distributed to civil taxing units (counties, townships, cities, towns, libraries, and special taxing units). A reduction in the net property tax levy would reduce the cost of providing the local Homestead Credit, thereby directing more COIT revenue to civil taxing units.

Personal Property Rules: The Department of Local Government Finance has promulgated new rules governing the assessment of business and utility personal property. These new rules along with their new valuation schedules went into effect for property assessed on the March 1, 2002, assessment date with taxes paid in CY 2003. On average, these rules would have raised business personal property assessments by 34.3% and reduced utility personal property assessments by 5%.

For the March 1, 2002, assessment date, this bill requires personal property to be assessed under the new rules, except that the 35% valuation adjustment for inventory and the valuation of construction in process at 10% of cost would both be reinstated.

Beginning with the March 1, 2003, assessment date, this bill would negate the new rules and require personal property to be assessed under the rules in place on January 1, 2001. The overall effect of using both the old business and old utility personal property rules would be a reduction of the expected AV base. This AV reduction would cause an increase in the property tax rates. These rates were also used in the estimates of the other provisions of the bill.

Production Inventory Property Tax Exemption / Inventory AV Elimination: Under this proposal, some inventory that is not finished goods would be exempt from property taxation beginning with taxes paid in 2004. The inventory would have to be used in the production of finished goods that would qualify for an interstate commerce exemption. The bill would also provide a 100% inventory deduction beginning with taxes paid in 2007.

The total exemption is estimated at $6.25 B AV for taxes paid in CY 2004, CY 2005, and CY 2006. The total exemption plus deduction is estimated at $17.1 B AV for taxes paid in 2007. The elimination of inventory AV would cause the property tax burden to shift from inventory property to all other types of property through an increased tax rate. This effect was considered in the estimates of all the other provisions in the bill.

Local Option Inventory Elimination / CEDIT Homestead Replacement: Under this bill, each county may adopt an ordinance that would provide a 100% inventory deduction for taxes paid in CY 2004, CY 2005, and CY 2006. Counties that elect to provide the deduction for 2004, 2005, and 2006 would be required by the bill to use County Economic Development Income Tax proceeds to pay for additional Homestead Credits in the county in order to mitigate any shift of the tax burden from inventory property to homestead property. The bill would allow the CEDIT rate cap and the COIT/CEdit and CAGIT/CEdit combined rate caps to be exceeded by 0.25% for this purpose. The maximum estimated shift of property tax from inventory property to homestead property is estimated at $175 M in CY 2004 assuming that all counties would provide...
the deduction.

In addition, counties that provide the deduction for 2004, 2005, and 2006 would have the option of continuing the imposition of CEDIT for 2007 and beyond in order to continue the additional homestead credits. Currently, 60 counties have adopted CEDIT.

**Property Tax Replacement Credit:** Total local revenues would not be affected by the change to PTRC. Taxpayers’ property tax bills would be reduced by the additional credits, but the state would reimburse local taxing units for the lost revenue.

**School General Fund Property Tax Levies:** Gross school tax levies would not be affected by this proposal. Instead, the state would pay these credits from the PTRF. Since gross levies and gross rates are not affected, there would be no change in the distribution of miscellaneous revenues, including Excise Tax, Financial Institutions Tax, and local property tax relief credits from CAGIT proceeds.

**Shelter Allowance / Standard Deduction:** Under the new real property assessment rule recently promulgated by the DLGF, homeowners would receive a shelter allowance against the assessment of their principal residence. These allowances vary by county, ranging from $16,000 to $22,700 and averaging $19,000. Under this proposal, the shelter allowance would be replaced by a $29,000 increase in the standard deduction. This deduction would change from $6,000 to $35,000. The amount of the deduction that exceeds the shelter allowance ($10,000) would cause some of the property tax burden to shift from residential property to all other types of property through an increased tax rate. This effect was considered in the estimates of all the other provisions in the bill.

**Maximum Levy Increases:** Under current law, a civil taxing unit’s maximum permissible levy increases at the rate of the unit’s AV growth with a 5% minimum and a 10% maximum. This is the unit’s assessed value growth quotient, or AVGQ. The bill would allow maximum levies to increase by the 6-year average annual growth in Indiana personal income (IPI), as calculated by the U.S. Bureau of Economic Analysis, with a 6% maximum. The change in IPI over the last six years (1995-2000) has averaged about 5.06% which is virtually the same as the current minimum 5% change. For those units with an AVGQ greater than 5% (479 of 2,122), the average CY 2002 growth rate was 8.8%. Many of these units could qualify to seek an increase in their maximum levy through the appeal process described below.

Under current law, a civil unit may appeal to the state’s Local Government Tax Control Board for an increase in its maximum levy if the unit’s AVGQ is greater than 1.1. The Control Board considers the appeal and sets the increase based on the merits of the appeal. The maximum levy increase may not exceed the unit’s AVGQ. This bill would also allow an appeal. A unit could appeal if its AVGQ exceeds the statewide average AVGQ by at least 3%. The Control Board would still consider the appeal on its merits, but it would not be limited in setting the maximum levy.

This new maximum levy formula will simplify maximum levy calculations beginning in 2006, when annual assessment adjustments are scheduled to begin. Overall, this provision would not have much impact on civil unit maximum levies unless income levels fall. School Transportation funds are expected to realize a slight levy reduction of about $2.3 M in CY 2003, $4.9 M in CY 2004, and $7.8 M in CY 2005.

**Tax Increment Financing:** Tax increment financing (TIF) allocations are equal to the incremental assessed value in a TIF area multiplied by the surrounding taxing district’s tax rate. Since the gross property tax rate will not be reduced by the credits in the bill, TIF districts’ gross property tax receipts would not be adversely
affected by the proposal. However, the net proceeds (after locally paid credits) in those districts that opt to pay PTRC-like credits would be reduced. In CY 2001, school general fund tax rates generated $39.4 M in TIF revenues. The net TIF revenue loss under this proposal would approximate that amount if all TIF districts pay locally funded PTRC-like credits.

This bill would impose a tax on property within the taxing district that contains the TIF district to raise the amount of net TIF revenue that would be lost due to the school general fund replacement credits in this bill. The body that created the TIF district may reduce or eliminate this additional levy.

In taxing districts where the TIF area comprises more than 10% of the total valuation, the special assessment would be limited to the lesser of the net revenue loss or the proceeds from a 10% tax rate increase. These districts may also appeal to the DLGF for a distribution from the Property Tax Relief Fund if the maximum special assessment is insufficient to make up the net revenue loss. If the DLGF denies the distribution, then the special assessment may exceed the above 10% tax rate limitation.

**Renter’s Deduction:** The bill increases the renter’s deduction for purposes of the Adjusted Gross Income Tax beginning in tax year 2003. Because these changes will decrease Indiana taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result of the bill, experience an indeterminable decrease in revenue from these taxes.

**Lottery Winnings Exemption:** The bill scales back the Adjusted Gross Income Tax exemption for winnings on Hoosier Lottery tickets effective July 1, 2002. Because these changes will increase Indiana taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience an indeterminable increase in revenue from these taxes.

**Certified Technology Parks:** The bill allows a local redevelopment commission to establish a certified technology park encompassing all or part of the territory under the commission’s jurisdiction. The bill allows a redevelopment commission operating a certified technology park to designate the park as a TIF district. This would allow the commission to capture incremental property tax revenue generated from taxable property in the park (revenue from assessed property valuation in excess of the base assessed value calculated before the establishment of the park). The bill also allows a redevelopment commission operating a technology park to capture up to $5 M over the life of the park in incremental income and sales tax revenue generated in the park. This would include revenue from local option income taxes (CAGIT, COIT, and/or CEDIT). The bill does not specify a capture limit for incremental property tax revenue. However, if the redevelopment commission determines that incremental property tax revenue in a year will exceed the amount necessary to pay the costs of the technology park, the excess incremental tax revenue may be allocated to local units. The bill permits the redevelopment commission to pay a property tax replacement credit against the property tax in the “tiffed” property. This credit would reduce the amount of TIF proceeds received by the commission.

**Riverboat Tax Distribution Caps:** The bill caps all existing distributions of Admission Tax revenue and Wagering Tax revenue to local units at the FY 2002 level. The Admission Tax cap for local units is estimated to total about $87.5 M annually. The Wagering Tax cap for local units is estimated to total $92.1 M annually. It is important to note that the bill replaces reductions in Admission Tax revenue to local units receiving Admission Tax distributions up to the FY 2002 distribution level from Wagering Tax revenue deposited in the PTRF. Under the bill, the expected reductions in Admission Tax revenue due to the change to a turnstile count basis for riverboats that implement flexible boarding are to be replaced by increased Wagering Tax revenue deposited in the PTRF.
Local Wagering Tax Revenue Sharing: The bill earmarks $33.0 M annually from Wagering Tax revenue in the PTRF for local revenue sharing. This amount is to be distributed to all counties that don’t have a riverboat casino based on population. The bill requires each county’s total to be divided between the county, and the cities and towns within the county, based on population.

Gasoline Tax Increase: See table in Explanation of State Revenues.

State Agencies Affected: Auditor; Department of Education; Department of State Revenue; State Budget Agency; Department of Local Government Finance (State Tax Board); Treasurer; Department of Workforce Development; Indiana Department of Commerce.

Local Agencies Affected: School corporations; Local taxing units; Counties with a local option income tax; Local redevelopment commissions; TIF districts; County auditors.

Information Sources: Department of State Revenue; Department of Education; State Tax Board (Department of Local Government Finance), State Police, Department of Environmental Management; Revenue Technical Committee’s November 14, 2001, Revenue Forecast; Property Tax Analysis, various years; Local Government Database- State Board of Tax Commissioners (Department of Local Government Finance); School Finance Database; Dan Bastin, Auditor of State’s Office; National Science Foundation, Survey of Industry Research and Development; Statistical Abstract, 2000, U.S. Bureau of the Census; U.S. Bureau of Labor Statistics, 1995 Survey of Employer-Provided Training: Employer Results, July 10, 1996; Amy Brown, Legislative Director for the Family and Social Services Administration, Allison Becker, FSSA Division of Disability, Aging, and Rehabilitative Services; Wes Bruce, Department of Education.