

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7060

BILL NUMBER: HB 1395

NOTE PREPARED: Jan 9, 2024

BILL AMENDED:

SUBJECT: Youth Sports and Tourism Development Areas.

FIRST AUTHOR: Rep. Judy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill allows the legislative body of a city or town to adopt a resolution establishing a youth sports and tourism development area (tax area). It requires that the tax area include a facility or complex of facilities used by youth sports teams and organizations for practice or competitive sporting events. The bill requires the legislative body to make findings when adopting a resolution. It requires the legislative body to submit a resolution establishing a tax area to the Budget Committee and Budget Agency for review and approval.

The bill allows a tax area to receive incremental state and local income tax revenue and incremental sales tax revenue attributable to the tax area. It requires a city or town that establishes a tax area to establish a youth sports and tourism development area fund. The bill limits the amount of incremental tax revenue that may be allocated to \$1 M per tax area per state fiscal year. It provides that a tax area terminates not later than 25 years after the date on which the first obligation payable from tax revenues allocated to the tax area is incurred.

Effective Date: July 1, 2024.

Explanation of State Expenditures: *Budget Committee and State Budget Agency (SBA):* The bill requires the Budget Committee to meet and make a recommendation to the SBA on an ordinance adopted by a city or town establishing a tax area. The SBA is required to approve a resolution before incremental revenue can be allocated to the tax area. These provisions are routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Department of State Revenue (DOR): The DOR will experience an increase in workload and expenses to

compute the income tax and sales tax incremental amounts for each tax area. The DOR should be able to implement the bill's requirements within existing staffing and resource levels.

Incremental Tax Financing Fund: If a city or town establishes a tax area, a nonreverting state fund for the tax area, known as the Incremental Tax Financing Fund, would be created. Incremental sales tax and income tax would be deposited in this fund and distributed monthly to the fiscal officer of the city or town. The fund would be administered by the DOR.

Explanation of State Revenues: The bill allows a youth sports and tourism development area to capture incremental state and local income tax revenue attributable to wages earned in the tax area and incremental sales and use tax revenue remitted by businesses operating in a tax area. The bill could potentially reduce revenue beginning in FY 2026. The revenue loss could be significant and would depend on several factors, including the number of tax areas that are established, the boundaries of the tax areas, and the incremental economic activity that occurs within each tax area. However, the amount captured by each tax area cannot exceed \$1 M per fiscal year. State income tax revenue is deposited in the General Fund. Sales tax revenue is deposited in the General Fund (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

Explanation of Local Expenditures: The bill requires the city or town legislative body to submit the following information to the Budget Committee: a copy of the resolution establishing the tax area, a map of the tax area, a list of employers in the area and street names and the range of street numbers of each street in the area, and any other information requested by the Budget Committee.

Explanation of Local Revenues: The bill allows a city or town, except those in Marion County, to establish a youth sports and tourism development area that is not more than three square miles and includes a facility or complex of facilities used by youth sports teams and organizations for practice or competitive sporting events. There may not be more than one tax area in a county, except in Lake County, Allen County, and Hamilton County.

Counties in which a tax area is established would experience a reduction in local income tax revenue. A tax area would receive incremental state and local income tax and sales tax revenue attributable to the tax area for up to 25 years. The amount of incremental state and local tax revenue for each tax area is limited to \$1 M per year. The actual amount captured will depend on the boundaries of the tax area and the incremental economic activity that occurs in the area.

All incremental revenue would be deposited in a local youth sports and tourism development area fund. Money in this fund may only be used for certain expenses related to capital improvements and facilities located in, physically connected to, or directly serving the tax area.

State Agencies Affected: Department of State Revenue, State Budget Agency, General Assembly.

Local Agencies Affected: Cities and towns.

Information Sources:

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