

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

LS 6745
BILL NUMBER: SB 252

NOTE PREPARED: Feb 4, 2025
BILL AMENDED: Feb 4, 2025

SUBJECT: Local Taxes.

FIRST AUTHOR: Sen. Buchanan
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Boone County Innkeeper's Tax*: This bill authorizes Boone County to impose its innkeeper's tax at a rate of 8% under the uniform innkeeper's tax statute (instead of 5% under current law).

Town of Shipshewana Food and Beverage Tax: The bill allows the fiscal body of the town of Shipshewana to increase its food and beverage tax.

Cities of Marion and Richmond Food and Beverage Taxes: This bill authorizes the following local units to adopt ordinances to impose food and beverage taxes: (1) The city of Marion. (2) The city of Richmond.

Food and Beverage Tax Expiration: The bill specifies that the innkeeper's tax and food and beverage tax provisions added by the bill expire January 1, 2047.

Wayne County Food and Beverage Tax: The bill repeals the Indiana Code chapter authorizing the imposition of food and beverage taxes in Wayne County.

Effective Date: July 1, 2025.

Explanation of State Expenditures: (Revised) *Cities of Marion and Richmond Food and Beverage Taxes*: The food and beverage taxes of the cities of Marion and Richmond would be collected and remitted to the Department of State Revenue (DOR) in the same manner as the state Sales Tax. The DOR should be able to implement the bill's requirements within existing levels of staff and resources.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Boone County Innkeeper's Tax*: This bill increases the rate of the tax from 5% to 8% beginning July 1, 2025. The table below shows the estimated revenue increase for

CY 2025 through CY 2027 with the tax rate change. Actual revenues may be lower than the estimated amounts listed to the extent that consumer demand for lodging is reduced due to the price increase from the tax. The increase in this tax rate expires on January 1, 2047.

Boone County Innkeeper’s Tax Estimated Revenue Increase		
CY 2025	CY 2026	CY 2027
\$341,000	\$687,000	\$695,000

Boone County collected about \$1.07 M in innkeeper’s tax revenue in CY 2023. Under current law, Boone County’s innkeeper’s tax revenue funds the county’s Convention, Visitor, and Tourism Promotion Fund.

(Revised) *Town of Shippshewana Food and Beverage Tax*: This bill allows Shippshewana to increase the rate of the tax from 1% to 2%. The effective date of the rate increase will depend on when the town adopts an ordinance to increase the rate. If an ordinance is adopted in July 2025, the new rate would go into effect in September 2025. The table below shows the estimated revenue increase for CY 2025 through CY 2027, assuming the town adopts a 2% rate in July 2025. Actual revenues may be lower than the estimated amounts listed to the extent that consumer demand for prepared food or beverages decreases due to the price increase from the tax.

Estimated Shippshewana Food and Beverage Tax Revenue Increase		
CY 2025	CY 2026	CY 2027
\$41,000	\$166,000	\$169,000

These estimates are based on actual revenue the town of Shippshewana currently collects for food and beverage taxes and estimated economic growth for the listed calendar years.

(Revised) *City of Marion Food and Beverage Tax*: The bill authorizes the city of Marion to impose a food and beverage tax at a rate not to exceed 1% of gross retail income from food and beverage transactions in the city. If the city adopts an ordinance to impose the tax in July 2025, the tax could go into effect as early as September 1, 2025. The Marion food and beverage tax expires on January 1, 2047. The following table shows the estimated potential revenue for CY 2025 through CY 2027.

Estimated Potential City of Marion Food and Beverage Tax Revenue, 1%		
CY 2025	CY 2026	CY 2027
\$210,000	\$846,000	\$859,000

These estimates are based on sales data for the food services industry in Grant County, as published in the 2017 Economic Census, and actual revenue of counties that currently collect food and beverage taxes. A portion of the county total was allocated to the city of Marion based on the city's estimated share of the food and beverage industry in the county.

(Revised) *City of Richmond Food and Beverage Tax*: The bill authorizes the city of Richmond to impose a

food and beverage tax a rate not to exceed 1% of gross retail income from food and beverage transactions in the city. If the city adopts an ordinance to impose the tax in July 2025, the tax could go into effect as early as September 1, 2025. The Richmond food and beverage tax expires on January 1, 2027. The following table shows the estimated potential revenue for CY 2025 through CY 2027.

Estimated Potential City of Richmond Food and Beverage Tax Revenue, 1%		
CY 2025	CY 2026	CY 2027
\$224,000	\$900,000	\$910,000

These estimates are based on employment data for the food services industry in Wayne County, as reported in the 2023 Quarterly Census of Employment and Wages, and data from counties that currently impose food and beverage taxes. A portion of the county total was allocated to Richmond based on the city's estimated share of the food and beverage industry in the county.

(Revised) *Wayne County Food and Beverage Tax*: The bill repeals the statute allowing Wayne County to impose a food and beverage tax. To date, the county has not collected food and beverage tax revenue.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Boone County, Town of Shipshewana, City of Marion, City of Richmond, Wayne County.

Information Sources: Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2024*; Department of State Revenue.

Fiscal Analyst: Abdulrahman Abdulkadri, 317-232-9852.