INTERIM STUDY COMMITTEE ON FISCAL POLICY

Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204

October 5, 2016

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2016

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INTERIM STUDY COMMITTEE ON FISCAL POLICY

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FINAL REPORT

Interim Study Committee on Fiscal Policy

I. LEGISLATIVE DIRECTIVE

The Committee was charged by the Legislative Council with studying the following topics::

(A) A multi-year review, analysis, and evaluation of all tax incentives. (Source: HEA 1020-2014, as revised by HEA 1142-2015).

(B) Report of the Legislative Services Agency concerning the following: (1) The combined reporting approach to apportioning income for income tax purposes. (2) Issues related to transfer pricing under the adjusted gross income tax law. (Source: SEA 323-2016, SECTION 1.)

(C) The following: (1) Whether a heavy equipment vehicle excise tax, instead of the property tax, should be imposed on certain heavy equipment vehicles. (2) The appropriate amount of the fee that should be charged for the registration of a logging vehicle that: (a) is used to harvest logs or timber; (b) is used to process or load harvested logs or timber; or (c) is transported to a logging site specifically for the purpose of building or maintaining a road at the logging site. (Source: EHB 1290-2016, SECTION 37 (as printed February 26, 2016).)

(D) The following: (1) Whether the General Assembly should enact an income tax credit for taxpayers who lawfully occupy real property located in a designated area of some kind after the property has been declared abandoned under IC 36-7-37 or another statute, regulation, or guideline. (2) Whether the General Assembly should enact an income tax credit for taxpayers who make expenditures: (a) to rehabilitate real property located in a designated area of some kind after the property has been declared abandoned under IC 36-7-37 or another statute, regulation, or guideline; or (b) for new construction in a designated area. (Source: ESB 67, SECTION 4 (as printed February 29, 2016).)

(E) Fiscal needs of municipalities that have percentage growth in assessed value in a year that was at least two (2) times the percentage growth allowed in property tax levies under IC 6-1.1-18.5. (Source: SEA 308-2016, SECTION 45.)

(F) The following: (1) New requirements from the Centers for Medicare and Medicaid Services pertaining to home and community based settings. (2) The effect of the requirements described in subdivision (1) on Indiana waiver services for individuals with disabilities, rate reimbursement, and rate methodology. (3) The fiscal impact of the requirements described in subdivision (1). (4) The impact of the change from daily rate billing to hourly billing for facility based habitation services on the services provided and the providers of the services. (Source: SEA 323-2016, SECTION 3.)

(G) Establishment of a food desert grant and loan program. (Source: SEA 15-2016, SECTION 1.)

(H) Review report of United Way on return on investment for early childhood education spending (Source: Letter from Speaker Bosma.)

II. SUMMARY OF WORK PROGRAM

September 28, 2016, Meeting

The Committee held its first meeting on September 28, 2016, in Indianapolis. At this meeting the Committee heard testimony on the following topics:

(1) Discussion on heavy equipment vehicle excise tax: The Committee heard testimony regarding a proposal to exempt certain rental equipment from property tax and to instead impose a rental excise tax on that equipment. The Committee also heard testimony regarding Preliminary Draft 3256 (motorized equipment vehicle rental excise tax). Committee members also discussed alternative approaches to easing the administrative burdens on equipment rental companies that must file personal property tax returns in multiple locations.
(2) Income tax credits for occupation or rehabilitation of abandoned property or new construction in designated areas: The Committee heard testimony concerning: (a) the awarding of income tax credits for the costs incurred in rehabilitating or rebuilding vacant or abandoned property in designated areas, including incentives for for-profit builders and small businesses; and (b) possible funding approaches for these tax incentives. The Committee also heard testimony concerning the housing stock in the City of Evansville, the costs incurred by the owners of rental housing, and possible incentives.
(3) Fiscal needs of municipalities with certain assessed value growth: The Legislative Services Agency presented a memorandum concerning municipalities with high growth in assessed values. The memorandum summarized the growth of assessed values, population, and various revenues for municipalities. The Committee also heard testimony from local government officials regarding the needs of growing municipalities in which assessed value growth exceeds the assessed value growth quotient (which is used to annually adjust property tax levies). The Committee discussed the extent to which this data demonstrated fiscal burdens on local government in Indiana.
(4) Establishment of a food desert grant and loan program: The Committee heard testimony regarding proposals to establish a state grant and loan program to assist businesses in offering fresh and unprocessed foods within a "food desert". Witnesses testified regarding the need for such food throughout the state. Under the proposal, proceeds of such a grant or loan could be used to provide equipment necessary for providing fresh and unprocessed foods.
(5) United Way report on early childhood education spending: A report commissioned by the United Way of Central Indiana concerning the return on investment for early education spending was presented to the Committee. Representatives of the United Way discussed the findings and recommendations in the report. The Committee heard testimony from advocates of funding for pre-K programs. Committee members also discussed issues related to the funding of pre-K programs and the sustainability of possible expansions to pre-K programs.

The minutes for the Committee's September 28, 2016, meeting can be found at
[[insert link to minutes on the Committee's website]].

The video archive of the Committee's September 28, 2016, meeting may be found by doing the following:
(a) Download the minutes from the link above.
(b) Click on this link within the downloaded minutes:
[[insert link to the archived broadcast]].
(c) After opening the linked web page, select the date of the meeting to begin viewing the video.

October 5, 2016, Meeting

The Committee held its second meeting on October 5, 2016, in Indianapolis. At this meeting the Committee heard testimony on the following topics:

(1) [[insert topic]]

(2) [[insert topic]]
(3) [[insert topic]]

The minutes for the Committee's October 5, 2016, meeting can be found at
[[insert link to minutes on the Committee's website]].

The video archive of the Committee's October 5, 2016, meeting may be found by doing the following:
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III. COMMITTEE FINDINGS AND RECOMMENDATIONS

[[Insert any Findings or Recommendations made by the Committee at its meeting on October 5, 2016.]]

PROPOSED RECOMMENDATIONS:

(1) Recommend PD 3256 (Motorized equipment vehicle rental excise tax).

(2) Recommend that the General Assembly support a measured, targeted expansion of the pre-kindergarten pilot program that maintains a requirement of philanthropic support.

(3) Recommend that the General Assembly create a task force charged with preparing a comprehensive plan of how best to implement community-based services for people with intellectual and other developmental disabilities in Indiana. The comprehensive plan would include the following elements:
(a) Data collected that specifies how many individuals are receiving services in the state of Indiana, the types of services being used, any waiting list for services, the services that are needed, and where individuals are waiting for services.
(b) An assessment of the array of services being offered by the State and a needs assessment of that array of services and how it meets the needs of individuals.
(c) The identification of services not currently offered but needed by individuals.
(d) A determination of whether the current array of services complies with the current Home and Community Based Services Rule.
(e) An assessment of provider capacity in Indiana to provide the array of services identified in the current array and those services identified as needed.
(f) An assessment of the cost of delivering the array of services offered currently and those services identified as needed.
(g) The identification of any new configuration of service options that are needed in the future and the cost to deliver those services.

Proposed Findings:

(1) On the topic of incentives for taxpayers that occupy or rehabilitate abandoned property, the Committee finds that local governments should better evaluate options under current law for incentivizing low-income rental housing development, which may include using abatements for residentially distressed areas and taking advantage of the increased flexibility granted under the newly revised local income tax laws.

(2) On the topic of food deserts, the Committee finds that a more robust discussion is needed of the economic

challenges that food providers must overcome in order to locate in underserved areas. Committee discussion was focused on the scope of the problem and did not adequately address the underlying causes that lead to food deserts.

WITNESS LIST

September 28, 2016, Meeting

Ed Noonan, United Rentals
Mark Richards, Ice Miller
Kellianne Nagy, Sunbelt Rentals, Inc.
Rep. Gail Riecken
Monte Fetter, Fetter Properties
Rick Wajda, Indiana Builders Association
Rhonda Cook, Indiana Association of Cities and Towns
Bob Sigalow, Legislative Services Agency
Dax Norton, Town Manager of Whitestown
Larry Longman, President, McCordsville Town Council
Sen. Randall Head
Rep. Robin Shackleford
Kathleen Lara, Indiana Association for Community Economic Development
Justin Schneider, Indiana Farm Bureau
Alex Meixner, American Heart Association
Christina McDougall, Hoosier Farmers Market Association
Judy Sieg, family nurse practitioner
Chris Moorman, Rubicon Agriculture
Matt Norris, Krieg DeVault
Katrina Hall, Indiana Farm Bureau
Emily Bryant, Feeding Indiana's Hungry
Connie Bond Stuart, Regional President PNC Bank and Board Chair, United Way of Central Indiana
Jay Geshay, Sr. Vice President, United Way of Central Indiana
Amanda Lopez
John Barnes, Indiana Department of Education
Pete Weldy, Indiana Department of Education

October 5, 2016, Meeting

[[Insert names of witnesses from the 10/5/16 meeting]]

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