

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

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FISCAL IMPACT STATEMENT

LS 6222

BILL NUMBER: HB 1487

NOTE PREPARED: Nov 29, 2022

BILL AMENDED:

SUBJECT: Carrying of a Handgun.

FIRST AUTHOR: Rep. Smith V

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill requires a person who carries a handgun to obtain and continuously maintain a liability insurance policy that covers losses or damages resulting from the negligent or accidental use of the handgun. It makes the failure to do so a Class A misdemeanor, elevated to a Level 5 felony in some instances. It specifies exceptions.

Effective Date: July 1, 2023.

Explanation of State Expenditures: *State Police Department:* The bill requires a person who carries a handgun without a license to maintain a liability insurance policy. It is indeterminate whether the provision will increase handgun license applications or insurance liability policies. Workload and expenditures could increase for the State Police Department to process handgun license applications, if individuals choose to obtain a license rather than liability insurance. The bill makes an exemption to the provision for a person who is protected by a civil protection order for not more than 60 days. (The bill also exempts law enforcement, military, those carrying a handgun on their own property, and certain other individuals).

Penalty Provision: The bill adds an unlicensed person who carries a handgun without maintaining liability insurance to the list of persons who commit unlawful carrying of a handgun, a Class A misdemeanor, which can be elevated to a Level 5 felony (offense on school property or school bus, prior conviction, or felony within 15 years prior). A Level 5 felony is punishable by a prison term ranging from 1 to 6 years, with an advisory sentence of 3 years. The sentence depends on mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$4,456 annually, or \$12.21 daily, per prisoner. However, any additional expenditures are likely to be small.

Explanation of State Revenues: *Insurance Premium Tax:* By requiring a person who carries a handgun without a license to maintain liability coverage, the bill could increase the number of insurance policies sold in the state. As a result, revenue to the General Fund could increase from either adjusted gross income (AGI) tax or insurance premium tax collections (depending on insurance company options). The bill does not specify the amount of coverage that must be maintained. Some homeowners' insurance policies may already provide this coverage.

Penalty Provision: If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. The maximum fine for a Level 5 felony is \$10,000.

If the case is filed in a circuit or superior court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund. In addition, the automated record keeping fee (\$20) is deposited into the state user fee fund, and the judicial salaries fee (\$20), public defense administration fee (\$5), court administration fee (\$5), judicial insurance adjustment fee (\$1), and the DNA sample processing fee (\$3) are deposited into the state General Fund.

Explanation of Local Expenditures: *Local Law Enforcement Agencies:* If handgun license applications increase, workload and expenditures could increase for local law enforcement agencies to verify the applicant's identification and residency status, conduct a local background check (criminal and incident reports), and forward the information and their recommendation, along with the applicant's fingerprints, to the Indiana State Police Department.

Penalty Provision: The bill establishes that an unlicensed person who carries a handgun without maintaining liability insurance commits a Class A misdemeanor, which may be elevated to a Level 5 felony (offense on school property or school bus, prior conviction, or felony within 15 years prior). A Class A misdemeanor is punishable by up to one year in jail. The average cost per day to incarcerate a prisoner is approximately \$64.53 based on the per diem payments reported by U.S. Marshals to house federal prisoners in 11 county jails across Indiana during CY 2021. Additionally, if more felony defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase.

Explanation of Local Revenues: *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Persons found guilty of a felony or misdemeanor are also required to pay the document storage fee (\$5), which is deposited into the clerk record perpetuation fund, and the jury fee (\$2) and the law enforcement continuing education fee (\$4), which are both deposited in the county user fee fund.

State Agencies Affected: Department of Correction; State Police Department.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Eric Wandersee, Indiana State Police Department;
<https://www.in.gov/isp/firearms-licensing/apply-for-a-new-license-to-carry/>

<https://www.in.gov/isp/firearms-licensing/view-firearms-licensing-statistics/>

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