

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

**LS 6619**  
**BILL NUMBER: HB 1117**

**NOTE PREPARED:** Dec 15, 2025  
**BILL AMENDED:**

**SUBJECT:** Uniform Municipal Innkeeper's Tax.

**FIRST AUTHOR:** Rep. Heine  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
                          X DEDICATED  
                          FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill creates a uniform municipal innkeeper's tax that may be imposed at a flat rate that does not exceed \$5 per night and includes provisions similar to the uniform county innkeeper's tax. It makes corresponding changes to statutes concerning innkeeper's tax administration.

**Effective Date:** July 1, 2026.

**Explanation of State Expenditures:** *Municipal Collections:* The Department of State Revenue (DOR) will collect the innkeeper's tax for municipalities that do not opt to collect it locally. The DOR can implement the bill's provisions within the existing level of resources.

*Administrative Penalty:* This bill makes it a Level 6 felony to knowingly transfer or use the money for a purpose not permitted under the bill. A Level 6 felony is punishable by a prison term ranging from 6 to 30 months, with an advisory sentence of 1 year. The marginal cost for medical care, food, and clothing is approximately \$4,825 annually, or \$13.22 daily, per prisoner. Any additional expenditures are likely to be small.

**Explanation of State Revenues:** *Administrative Penalty:* 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 Level 6 felony is \$10,000. The total fee revenue per case would range between \$113 and \$138.

**Explanation of Local Expenditures:** *Municipal Collections:* Municipalities that opt to collect innkeeper's revenues will have increased workload to administer the tax. Municipalities can likely implement the bill's provisions within existing resource levels.

*Administrative Penalty:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. Any additional expenditures would likely be small.

**Explanation of Local Revenues:** *Municipal Collections:* This bill allows municipalities to impose an innkeeper's tax of up to \$5 per night. A municipal innkeeper's tax will expire 22 years after its effective date. This tax is in addition to the state sales tax and the county innkeeper's tax.

The actual revenues collected will depend on consumer demand for lodging within a municipality. Factors such as nearby attractions, events, and conferences can drive the need for lodging. Most innkeeper's taxes will likely be paid by hotel occupants who are not residents of the municipality. Consumer demand for lodging may decrease due to the price increases from the tax passed on to consumers. However, this reduction may vary by municipality.

*Administrative Penalty:* If additional court cases occur and a guilty verdict is entered, more revenue will be collected by certain local units. If the case is filed in a court of record, the county general fund will receive \$47.40 and qualifying municipalities will receive a share of \$3.60. If the case is filed in a municipal court, the county receives \$30, and the municipality will receive \$46.

*Additional Information* - Municipal innkeeper's tax revenue would be deposited in the municipality's convention, visitor, and tourism promotion fund. These funds may be used for the following:

- (1) Promoting and encouraging conventions, visitors, and tourism within the municipality;
- (2) Creating new parks and amenities and expanding and enhancing existing parks and amenities; and
- (3) Paying the costs of municipal services related to conventions, trade shows, and other special events. The money may not be used for salaries or operating expenses related to an event.

**State Agencies Affected:** Department of State Revenue, Department of Correction.

**Local Agencies Affected:** Cities and Towns. Trial courts, local law enforcement agencies.

**Information Sources:** Collins, Clay G. & Stephenson, E. Frank, 2017. "Taxing the Travelers: A Note on Hotel Tax Incidence," Journal of Regional Analysis and Policy, Mid-Continent Regional Science Association, vol. 48(01), January, <https://ideas.repec.org/a/ags/jrapmc/339895.html>. Indiana Sheriffs' Association, Indiana Supreme Court, Indiana Trial Court Fee Manual; Department of Correction; Indiana Gateway for Government Units, 2023 Annual Financial Reports, <https://gateway.ifionline.org/public/download.aspx>; Bureau of Justice Statistics, 2023 Annual Survey of Jails Data Series, <https://www.icpsr.umich.edu/web/NACJD/series/7>.

**Fiscal Analyst:** Abdul Abdulkadri, 317-232-9852.