

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

LS 6560
BILL NUMBER: HB 1340

NOTE PREPARED: Jan 8, 2026
BILL AMENDED:

SUBJECT: Sales Tax Exemption for Utility Service.

FIRST AUTHOR: Rep. Dvorak
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill provides a sales tax exemption for the sale or furnishing of the following services or commodities by a power subsidiary or a person engaged as a public utility to a person for commercial or domestic consumption: (1) Electrical energy. (2) Natural or artificial gas. (3) Water. (4) Steam. (5) Steam heating service.

The bill makes conforming amendments.

Effective Date: July 1, 2026.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur expenses to put the bill's changes in place. The DOR should be able to make these changes within current resource levels.

Explanation of State Revenues: *Summary* - The bill provides a sales tax exemption for all utility consumption. The bill could reduce state revenue between \$704.1 M and \$803.6 M in FY 2027 and between \$791.8 M and \$903.7 M in FY 2028. [In FY 2025, the state received \$10.65 B in total sales tax revenue.]

Sales tax is distributed as follows:

- 99.838% to the General Fund
- 0.131% to the Commuter Rail Service Fund
- 0.031% to the Industrial Rail Service Fund

Additional Information - The estimated revenue loss is based on DOR sales tax data on utilities between FY 2019 and FY 2025, utility price volatilities, and recent trends in sales tax collections. In FY 2025, utility providers remitted approximately \$754 M in sales tax. Sales tax revenue collected on utilities increased by about 3.3% annually between FY 2019 and FY 2025.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: Energy Information Administration, Forms 861 and 176; Indiana Department of Revenue, Sales tax by NAICS code, 2019-2025; Indiana Utility Regulatory Commission, State Form 56468; Indiana Utility Regulatory Commission, Annual Report 2025, <https://www.in.gov/iurc/files/2025-IURC-Annual-Report.pdf>; Bureau of Economic Analysis, The Use of Commodities by Industries - Detail, 2017.

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