

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

LS 6380
BILL NUMBER: SB 83

NOTE PREPARED: Dec 2, 2025
BILL AMENDED:

SUBJECT: Various Utility Matters.

FIRST AUTHOR: Sen. Qaddoura
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Utility Sales Tax Exemption:* This bill provides that a transaction involving the sale of utility service, as reflected in the total amount billed by a utility in a customer bill that is issued after December 31, 2026, is exempt from the state gross retail tax. It provides that this exemption applies to: (1) the sale of electric, natural gas, water, or wastewater service; and (2) a customer bill issued by a utility after December 31, 2026, regardless of whether the bill includes any fees or charges for utility service provided to the customer before January 1, 2027.

Quantum Computing Research Sales Tax Exemption Repeal: The bill repeals the sales and use tax exemption for certain data centers enacted in the 2025 session in HEA 1601.

Final Order Ceiling: The bill provides that after March 14, 2026, the Indiana Utility Regulatory Commission (IURC) may not issue a final order in a base rate case filed by an electricity supplier if the final order, once fully implemented, would result in an average increase of 3% or greater in the total monthly bill of a residential customer of the electricity supplier.

Municipal Utility Purchases: The bill specifies that a municipality includes a consolidated city for purposes of the existing statute authorizing a municipality to purchase, condemn, and operate a utility in the municipality for the purpose of providing utility service to the municipality or the public: (1) without the consent of the IURC; and (2) even if a public utility is engaged in a similar service in the municipality.

The bill provides that the existing statute prohibiting a municipality, public utility, or rural electric membership corporation from bringing an action against a public utility for the condemnation of the public utility's electric utility property does not apply to a municipality that seeks to purchase the electric utility property of a public utility for use of the property in providing electric utility service if:

- (1) the municipality and the public utility are unable to agree upon a price to be paid for the electric utility property; and
- (2) the municipality by ordinance declares that a public necessity exists for the condemnation of the electric utility property.

It provides that a municipality that adopts such an ordinance may: (1) bring an action in the circuit or superior court of the county where the municipality is located against the public utility for the condemnation of the electric utility property; and (2) exercise the power of eminent domain in accordance with the existing eminent domain statute.

Final Order Moratorium: The bill prohibits the IURC from issuing before July 1, 2028, a final order in a base rate case filed by an electricity supplier with the IURC, regardless of the date of filing of the electricity supplier's base rate case with the IURC. It provides that this provision expires July 1, 2028. It provides that existing law providing that the rates and charges of a municipally owned utility may include a reasonable return on the utility plant of the municipality if the legislative body of the municipality so elects does not apply to rates and charges established or amended by a municipal legislative body after March 14, 2026.

Effective Date: Upon passage.

Explanation of State Expenditures: *Final Order Moratorium and Final Order Ceiling:* The bill could decrease the workload of the Indiana Utility Regulatory Commission (IURC) to approve base rate change requests submitted by utilities.

Additional Information - Any pending base rate case that is pending before the IURC as of March 15, 2026, would be null and void if the proposed rate increase exceeds a 3% increase in the total monthly bill for residential electricity consumers. Additionally, the IURC would be prohibited from approving base rate change requests after March 14, 2026, through July 1, 2028, based on the same percent threshold increase in total monthly bills for residential electricity consumers. As a result, electric utility rate increases would be capped below 3% through FY 2028, which could affect annual IURC revenue.

The bill also removes the requirement that a competing utility obtain a determination from the IURC to establish an additional, similar utility within a geographic boundary. This change could also decrease IURC workload.

The operating budget of the IURC is funded by regulated utilities operating in Indiana. The rate at which to bill the utilities is based on the agencies' budgets, less reversions, divided by the total amount of gross intrastate operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.15% of their gross intrastate operating revenues to fund the IURC.

Explanation of State Revenues: *Utility Sales Tax Exemption:* The bill provides a sales tax exemption for customer utility bills issued after December 31, 2026. The bill could reduce state revenues between \$384.1 M and \$438.4 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.]

The table below breaks down this decrease in revenue by utility service type.

Decrease in Sales Tax Revenues from Utility Sales Tax Exemption in Millions		
Utility Service	FY 2027	FY 2028
Electricity	\$290.3 to \$312.1	\$597.7 to \$642.7
Natural Gas	\$55.6 to \$82.9	\$114.6 to \$170.9
Water/Wastewater	\$38.2 to \$43.4	\$79.5 to \$90.2
Total	\$384.1 to \$438.4	\$791.8 to \$903.7

Additional Information - Sales tax revenue is deposited in the state General Fund (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%).

Utility Sales Tax Exemption: The estimated revenue loss is based on Department of State Revenue 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.

Quantum Computing Research Sales Tax Exemption Repeal: Under current law, the sales tax exemption for quantum research equipment goes into effect January 1, 2026. The bill could result in an increase in sales tax revenue to the extent that future investments would occur without the exemption. The impact would depend on the number of facilities and the scale of the qualified investment.

Explanation of Local Expenditures: *Municipal Utility Purchases:* The bill allows municipalities to bypass the IURC for approval to purchase, construct, or construct and operate a second utility within six miles of another utility that currently serves the municipality. Additionally, the bill allows municipalities to declare public necessity by ordinance, bring action in a circuit or superior court for condemnation of an electric utility property, and exercise eminent domain in instances where a price cannot be agreed upon between a municipality and a utility. Any increase in municipal workload and expenditures would depend on the decision of local administrators, but costs could be recovered from utility fees paid by consumers.

Explanation of Local Revenues: *Final Order Ceiling and Final Order Moratorium:* Municipal electric utilities under the IURC's jurisdiction that intended to file a base rate case resulting in bill increases greater than 3% will have their base rate deemed null and void.

Municipal Utility Purchases: The bill could increase municipal revenue from utility fees paid by consumers from a municipally-owned utility that is recently purchased or established as a result of the bill. The amount of revenue generated would depend on the number of customers within the service area and the rates established.

State Agencies Affected: Indiana Utility Regulatory Commission.

Local Agencies Affected: Municipalities.

Information Sources: Department of State Revenue, Sales tax by NAICS code, 2019-2025; Energy Information Administration, Form 176 and Form 861.

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