

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

**LS 6448**  
**BILL NUMBER: SB 184**

**NOTE PREPARED:** Dec 29, 2025  
**BILL AMENDED:**

**SUBJECT:** Sales Tax on Utility Service.

**FIRST AUTHOR:** Sen. Young M  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** State

**Summary of Legislation:** The bill phases down in equal reductions over four years the state gross retail tax rate imposed on the sale of the following utility services to a person for domestic consumption: (1) Electrical energy; (2) Natural or artificial gas; (3) Water; (4) Steam; (5) Steam heating service.

**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 phases out the sales tax rate on residential utilities usage from the current 7% rate over four years. The bill would decrease sales tax revenues beginning in FY 2028. The estimated revenue reduction is shown in the table below. [In FY 2025, the state received \$10.65 B in total sales tax revenue.]

Decrease in Sales Tax Revenue from Phasing Down Residential Utilities Sales Tax Rate (in Millions)			
	<u>Sales Tax Rate on Residential Utilities</u>	<u>Low Estimate</u>	<u>High Estimate</u>
FY 2028	5.25%	\$101.5	\$141.0
FY 2029	3.50%	\$219.0	\$306.3
FY 2030	1.75%	\$344.5	\$485.0
FY 2031	0%	\$478.3	\$678.0
FY 2032	0%	\$506.2	\$722.8

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 FY 2028 estimate assumes that the revenue impact begins in August 2027. The lower bound estimates were obtained using the Bureau of Economic Analysis Input-Output Accounts table and the Department of State Revenue sales tax data. The upper bound estimates for electricity and natural gas are based on company-level data on the counts and growth of residential revenues and accounts. This data was obtained from the Energy Information Administration's forms 861 and 176 for electricity and natural gas, respectively. Upper bound water estimates were derived using FY 2018 to FY 2021 financial data reported to the Indiana Utility Regulatory Commission on State Form 56468 by the 10 largest investor-owned water and wastewater utilities. Each utility's historical data is used to compute its compound annual growth rate for projecting future sales tax revenue.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

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

**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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