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Institute mixed on idea of expanding Ind. sales tax

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Indiana could likely generate in excess of \$2.3 billion per fiscal year if it expanded the state sales tax on services -- but might regret doing so, according to a new study.

A report by the independent Indiana Fiscal Policy Institute shows that several states -- including Florida, Massachusetts, Michigan and Maryland -- broadened the sales tax on services only to later repeal the tax on some services due to a "strong public outcry."

Indiana ranks 39th among states in the number of services taxed, taxing 24 of 168 services surveyed by the Federation of Tax Administrators. In the Midwest, Indiana trails Ohio (68 services taxed), Kentucky (28) and Michigan (26), with Illinois having the fewest at 17 services taxed.

<http://www.indystar.com/apps/pbcs.dll/article?AID=2009910080490>">Previous: Gov. Daniels says revenue \$254M below estimate.

The Indiana Fiscal Policy Institute is a private, non-profit governmental research organization. Its report comes on the heels of an announcement last week by Gov. Mitch Daniels that Indiana's revenue continues to sag far below projections.

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"The Indiana General Assembly is always exploring the availability of new revenue streams," said John Ketzenberger, president of the institute, which is based in Indianapolis. "Taxing additional services in Indiana could generate a considerable amount of money for state coffers ... however, expanding the sales tax on services has created numerous challenges in other states."

Indiana's sales tax is 7 percent.
