LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 659** HLS 21RS 860
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 24, 2021 12:46 PM
Author: WILLARD
Dept./Agy.: Revenue
Subject: Tax Credit For Children
Analyst: Greg Albrecht

TAX/INCOME-CREDIT OR -$319,000,000 GF RV See Note
Establishes an income tax credit for taxpayers claiming a dependent less than eighteen years of age

Proposed law provides a refundable tax credit for each child under 18-years old claimed as a dependent on state personal income tax returns. Filers with gross income from $0 - $51,000 receive $500 per child under age six and $300 per child between the ages of six and eighteen. Filers with gross income from $51,000 - $100,000 receive $300 per child under age six and $200 per child between the ages of six and eighteen.

Applicable to taxable years beginning on or after January 1, 2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	($319,000,000)	($319,000,000)	($319,000,000)	($319,000,000)	($319,000,000)	**($1,595,000,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**($319,000,000)**	**($319,000,000)**	**($319,000,000)**	**($319,000,000)**	**($319,000,000)**	**($1,595,000,000)**

EXPENDITURE EXPLANATION

The Dept. of Revenue indicates that the costs to modify and test tax systems to incorporate the additional credit provided by the bill would be approximately $26,000 of staff time.

REVENUE EXPLANATION

Data limitations prevent a precise estimate of the revenue loss attributable to the bill (no age of dependent claims is included on state tax returns, and Census population age data breaks at five years of age), but a rough estimate of the fiscal exposure can be determined.

2019 state tax returns indicate 746,000 dependent claims were associated with federal adjusted gross incomes between $0 - $51,000, and 253,000 claims were associated with federal adjusted gross incomes (FAGI) between $51,000 - $100,000. 2019 Census data indicate that 25% of the state population under nineteen years old is up to five years old, and 75% is between five and nineteen years old. These shares imply that roughly 187,000 dependents are under age six and within returns up to $51,000 of FAGI; generating $94 million of aggregate credit at $500/child. Roughly 560,000 dependents are between age six and nineteen within returns up to $51,000 of FAGI; generating $168 million of aggregate credit at $300/child. Within the $51,000 - $100,000 FAGI returns, these shares imply that roughly 63,000 dependents are under age six; generating $19 million of aggregate credit at $300/child. Roughly 190,000 dependents are between age six and nineteen; generating $38 million of aggregate credit at $200/child.
Total aggregate credit generated is roughly $319 million per year.

This estimated exposure overstates true exposure to the extent dependent claims reflect more individuals than just children up to eighteen years old. However, this estimated exposure understates true exposure to the extent that the population data understated children counts up to six years of age and overstated children counts in the six to eighteen year old range due to its five years of age breakpoint; the younger age cohort generating larger per-child credits, and older age cohort generating smaller per-child credits. These opposing influences suggests the estimated exposure as reasonable. Since the credit is refundable, the true exposure is likely to be realized against the state fisc, and as early as FY22 with a tax year 2021 effectiveness.

Senate / Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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