

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 660** HLS 21RS 932
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2021 12:21 PM	Author: HUGHES
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Earned Income Tax Credit	

TAX CREDITS EG -\$1,400,000 GF RV See Note Page 1 of 1
 Increases the amount of the earned income tax credit for certain taxpayers for a specific period of time

Current law provides a refundable tax credit for taxpayers eligible for the federal earned income tax credit. The state credit is 5% of the federal credit amount, through December 31, 2025. After that date the state credit is 3.5% of the federal credit.

Proposed law increases the credit to 50% of the federal credit amount for tax filers without a child and who are between the ages of 18 and 25 or are at least 60 years old. Effective for tax years 2021 through 2024.

Effective upon governor's signature.

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.	(\$1,400,000)	(\$1,400,000)	(\$1,400,000)	(\$1,400,000)	\$0	(\$5,600,000)
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	(\$1,400,000)	(\$1,400,000)	(\$1,400,000)	(\$1,400,000)	\$0	(\$5,600,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The current worksheet used to calculate the state earned income tax credit would be modified, at minor cost, to include the new calculation at 10% rather than 50%.

REVENUE EXPLANATION

According to the Dept. of Revenue, prior to the recently enacted federal legislation (American Rescue Plan - ARP), eligibility for the federal childless earned income tax credit required taxpayers to be between the ages of 25 and 65. Thus, this bill's eligibility for ages 18 - 25 would have no effect since these individuals would not be receiving a federal credit upon which to base the state credit. However, committee testimony indicated that the recently enacted federal legislation (American Rescue Plan) expanded eligibility to this population. The revenue impact of this bill attributable to that population is indeterminable since the amount of federal earned income credit they might claim is indeterminable. While unknown in amount, this bill's application to this population's federal credit claim amount works to increase the state revenue loss from what is reflected in the table above (based on the population described below). Thus, the revenue losses in the table above reflect a minimum loss to the state fisc.

A relatively small group of taxpayers between the ages of 60 and 65 (prior to the ARP, over 65 are not eligible for the federal credit) had no dependents but claimed the federal credit. That group claimed \$164,000 of state credit at the 5% rate on 2019 returns. This implies \$1.6 million of state credit at the 50% rate of this bill, or an increase of \$1.4 million per year of state credit attributable to the bill, for the next four years. The recently enacted ARP also eliminated the age limitation for federal eligibility. Thus, an unknown additional amount of state credit will be claimed by this population, as well. Thus, the revenue losses in the table above reflect a minimum loss to the state fisc.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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