



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 32** HLS 23RS 91
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 6, 2023	2:14 PM	Author: SCHLEGEL
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Personal Income Tax: Education Exemptions		

TAX/INCOME TAX EN -\$2,200,000 GF RV See Note Page 1 of 1
 Increases the amount of the individual income tax deductions for elementary and secondary school tuition, educational expenses for home-schooled children, and educational expenses for a quality public education

Current law allows deductions from taxable income for certain expenses for home-schooled children, and for a portion of fees and other required expenditures for certain students in public and non-public schools. Current law allows a maximum of \$5,000 of such expenditures to be exempted per student for Personal Income tax purposes.

Proposed law increases the maximum exemption to \$6,000 per student, applicable to amounts paid on January 1, 2024 or later. Effective upon governor's signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$2,200,000)	(\$2,200,000)	(\$2,200,000)	(\$2,200,000)	(\$2,200,000)	(\$11,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$2,200,000)	(\$2,200,000)	(\$2,200,000)	(\$2,200,000)	(\$2,200,000)	(\$11,000,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue is anticipated to incur minor costs in additional staff time to modify and test tax systems to accommodate these modified deductions.

REVENUE EXPLANATION

Proposed law increases the maximum income tax deduction available for three educational expense-related programs, from \$5,000 to \$6,000 per student. The affected deductions include educational expenses for elementary and secondary school tuition, educational expenses for home-schooled children, and educational expenses for a quality public education.

Per the March 2023 Tax Exemption Budget, anticipated revenue losses in FY23 due to these deductions in current law amount to a combined \$22.0 million.

The largest component of the anticipated revenue loss due to existing law is the deduction for nonpublic elementary & secondary school tuition expenses (\$18.7 million for FY23). Income tax filings data imply that a significant portion of these deductions claimed are at or near the current maximum per student. For the purposes of this analysis, LFO assumes that 60% of claimants' deductions will increase to \$6,000 per student due to proposed law. Under this assumption, **proposed law is anticipated to result in an additional revenue loss of \$2.2 million dollars annually via this deduction, relative to current law.**

The remaining deductions affected by proposed law- expenses for home-schooled students and expenses for a quality public education- each average less than \$100 of claimed expenses per claim, implying that very few claims are at or near the current \$5,000 maximum. **Proposed law is thus expected to have a negligible revenue impact via these lower-impact deductions.**

The total revenue impact anticipated due to proposed law is an annual general fund reduction of approximately \$2.2 million.

(For informational purposes: under alternative assumptions where the maximum potential exposure to state revenue was realized, the annual revenue loss would be approximately \$3.7 million.)

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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