

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 93** SLS 15RS 470

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action: **w/ HSE FLOOR AMD**

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 8, 2015	5:39 PM	<b>Author:</b> ADLEY
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Prohibits \$25/child Credit if tuition deduction taken		

TAX/INCOME/PERSONAL REF -\$44,700,000 GF RV See Note Page 1 of 1

Prohibits the \$25 credit for educational expenses for each child attending elementary and secondary school if the tax deduction for payment of tuition and fees is taken. (gov sig)

Current law provides a \$25 per dependent child nonrefundable tax credit for educational expenses on personal income tax returns; available for all K-12 children. Current law also allows a deduction from income of K-12 nonpublic school tuition expenses, as well as expenses for uniforms and school supplies for all students, up to \$5,000 per dependent student.

Proposed law will allow the \$25 per child tax credit for resident returns only if the tuition expense deduction for Louisiana nonpublic elementary and secondary school tuition is not taken.

Proposed law also increases the state earned income tax credit to 7% of the federal credit amount, from 3.5%.

Applicable to tax years beginning on and after January 1, 2015. Operative if SB 284 and HB 828, both of the 2015 session, are enacted. SB 284 establishes the SAVE credit higher education funding mechanism. HB 828 phases out the corporate franchise tax.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$44,700,000)	(\$44,700,000)	(\$44,700,000)	(\$44,700,000)	(\$44,700,000)	<b>(\$223,500,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>(\$44,700,000)</b>	<b>(\$44,700,000)</b>	<b>(\$44,700,000)</b>	<b>(\$44,700,000)</b>	<b>(\$44,700,000)</b>	<b>(\$223,500,000)</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes such as this (several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

**REVENUE EXPLANATION**

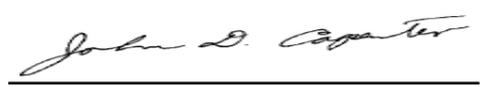
According to the Department of Revenue, in FY14 there were 105,676 returns filed that claimed the tuition deduction for approximately 93,600 students (\$468 million of expenses deducted with \$21.7 million of tax collections foregone). Assuming the \$25 per child credit were also taken for all of those students, the bill would result in \$2.3 million of additional net tax receipts per year by disallowing the tax credit if the expense deduction is taken. In FY14, \$17 million of tax credit was associated with the \$25 per child educational credit.

The bill clarifies that the existing \$25 credit is allowed for resident returns and, for the purposes of the tuition deduction the nonpublic elementary and secondary school must be located in Louisiana. This may result in a slightly higher net state revenue gain than above, to the extent some credit and deduction has been claimed on nonresident returns.

The existing state earned income tax credit has averaged \$47 million in the last three complete years (FY12 - FY14). Since this bill doubles the credit, it is reasonable to expect an additional \$47 million of foregone state tax revenue as a result of this bill. While fiscal years tend to have more than one tax period of returns filed in them, for personal income tax returns involving nonbusiness income items such as this credit, the bulk of the effect of a change such as proposed by this bill is likely to be exhibited in the fiscal year in which the first affected tax period ends. This bill makes this higher credit applicable for 2015, and will reduce FY16 revenues.

The combined effect of these two changes to tax credits is a reduction in net state tax receipts of \$44.7 million per year.

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|--|----------------------------|--------------|---|
| <u>Senate</u>  | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                               |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}                  |                            |              | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}                            |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} |                            |              | <input checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

  
**John D. Carpenter**  
**Legislative Fiscal Officer**