

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 202** HLS 17RS 878
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 18, 2017 1:40 PM	Author: ABRAHAM
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Repeal Per-Child Education Credit and Tuition Deduction	

TAX/INCOME TAX OR +\$41,000,000 GF RV See Note Page 1 of 1
 Repeals certain educational tax expenditures

Present law provides a \$18/child nonrefundable tax credit for educational expenses (\$18 until July 1, 2018), as well as a deduction up to \$5,000 per child for nonpublic K-12 school tuition, and other required expenses.

Proposed law repeals this credit and this deduction.

Applicable for all taxable periods beginning on and after January 1, 2018.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$32,800,000	\$41,000,000	\$41,000,000	\$41,000,000	\$155,800,000
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	\$0	\$32,800,000	\$41,000,000	\$41,000,000	\$41,000,000	\$155,800,000

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

While the educational credit is \$18/child until July 1, 2018, returns that will be filed for the 2018 tax period will be able to take the credit at the \$25/child amount that will be effective when returns are filed in 2019. At that level of credit, the fiscal year tax revenue loss approximates \$16.5 million. The tuition and other expense deduction reduces fiscal year tax receipts by approximately \$24.5 million. Combined fiscal year effects are expected to be approximately \$41 million when this bill is effective. Most returns for the 2018 tax year will be filed in the spring of 2019, generating a FY19 revenue gain from repeal of these provisions. Assuming roughly 80% of tax year filings claiming these benefits are filed in the fiscal year immediately following the tax year of effectiveness, estimated net revenue gains are \$32.8 million in FY19, and then full year gains after that.

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}

John D. Carpenter
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Legislative Fiscal Officer