

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 24** HLS 182ES 51

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 22, 2018	7:03 PM	Author: JAMES
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Earned Income Tax Credit		

TAX CREDITS OR -\$89,000,000 GF RV See Note
Increases the amount of the earned income tax credit (Item #21)

Present law provides a refundable state tax credit equivalent to 3.5% of the federal earned income credit for which a taxpayer is eligible.

Proposed law increases the state credit to 10% of the federal credit amount.

Applicable to taxable years beginning on and after January 1, 2018.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	(\$89,000,000)	(\$89,000,000)	(\$89,000,000)	(\$89,000,000)	(\$89,000,000)	(\$445,000,000)
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	(\$89,000,000)	(\$89,000,000)	(\$89,000,000)	(\$89,000,000)	(\$89,000,000)	(\$445,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue will incur minor reprogramming costs to incorporate the change in this credit.

REVENUE EXPLANATION

The existing state earned income tax credit has averaged \$47.9 million in the last three complete years (FY15 - FY17). Since this bill increases the credit 185%, it is reasonable to expect an additional \$89 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 tends to be exhibited in the fiscal year in which the first affected tax period ends. This bill makes this higher credit applicable for tax year 2018, and will reduce revenue starting in FY19.

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
Legislative Fiscal Officer