



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 226** SLS 23RS 440
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2023 6:55 PM	Author: LUNEAU
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Earned Income Tax Credit	

TAX/INCOME/PERSONAL OR -\$66,900,000 GF RV See Note Page 1 of 1
 Provides relative to the earned income tax credit. (gov sig)

Current law provides a refundable credit against Individual Income tax equal to 5% of the federal Earned Income Tax Credit (EITC) for which the taxpayer is eligible. Current law provides that for tax years beginning after December 31, 2030, the state credit will equal 3.5% of the federal credit.

Proposed law doubles the state credit to 10% of the federal credit, presumably applicable for tax years beginning on or after January 1, 2023, since the credit is effective during tax year 2023 if enacted. Proposed law provides that the state credit shall remain at 10% of the federal credit for tax year 2031 and beyond.

Effective upon governor's signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$66,900,000)	(\$71,700,000)	(\$73,800,000)	(\$75,300,000)	(\$76,800,000)	(\$364,500,000)
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	(\$66,900,000)	(\$71,700,000)	(\$73,800,000)	(\$75,300,000)	(\$76,800,000)	(\$364,500,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law would effectively double the EITC credits issued by the state, beginning in Tax Year 2023. The anticipated revenue impact in FY24 is a general fund reduction of approximately \$66.8 million due to proposed law in FY24, increasing to an estimated \$76.8M by FY28.

Based on the 2019 returns (the year before the pandemic data disruptions), about 474,000 filers claimed \$69.5M in EITC credits. LDR notes that 94% of eligible EITC claims are typically made in the year of eligibility, 5% in the following year, and the remaining 1% in the 2nd following year. The impacts reflected in the table above incorporate historical patterns in EITC claims timing, and an assumption of modest future growth in EITC participation.

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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