



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 632** HLS 23RS 1291  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|   |          |                                  |
|---|----------|----------------------------------|
| <b>Date:</b> April 29, 2023   | 10:35 PM | <b>Author:</b> KNOX              |
| <b>Dept./Agy.:</b> Revenue  |          | <b>Analyst:</b> Benjamin Vincent |
| <b>Subject:</b> Income Tax Credit: Dependents Five Years or Younger |          |                                  |

TAX CREDITS OR -\$40,600,000 GF RV See Note Page 1 of 1  
 Establishes the Next Generation Tax Credit for taxpayers claiming a dependent five years of age or younger

Proposed law authorizes a refundable credit against individual income tax in the amount of \$250 per dependent that is five years of age or younger, for taxpayers with an adjusted gross income of less than \$40,000. The threshold of \$40,000 applies regardless of the taxpayer's filing status.

Effective upon governor's signature, and applicable to taxable periods beginning on or after January 1, 2023.

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

| <b>REVENUES</b>     | <b>2023-24</b>        | <b>2024-25</b>        | <b>2025-26</b>        | <b>2026-27</b>        | <b>2027-28</b>        | <b>5 -YEAR TOTAL</b>   |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| State Gen. Fd.      | (\$40,600,000)        | (\$40,600,000)        | (\$40,600,000)        | (\$40,600,000)        | (\$40,600,000)        | <b>(\$203,000,000)</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         | <u>\$0</u>            | <u>\$0</u>            | <u>\$0</u>            | <u>\$0</u>            | <u>\$0</u>            | <b>\$0</b>             |
| <b>Annual Total</b> | <b>(\$40,600,000)</b> | <b>(\$40,600,000)</b> | <b>(\$40,600,000)</b> | <b>(\$40,600,000)</b> | <b>(\$40,600,000)</b> | <b>(\$203,000,000)</b> |

**EXPENDITURE EXPLANATION**

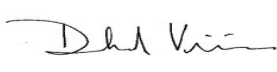
LDR reports that minor additional expenditures are anticipated for computer system development and modification, tax form redesign, and testing, estimated at approximately \$25,000 of self-generated revenue. Any additional use of LDR self-generated revenue may translate to a reduction in state general fund.

**REVENUE EXPLANATION**

To estimate the likely impact of proposed law, LDR calculated the number of children that were five years of age or younger that were claimed as dependents for taxable year 2021. LDR notes that only the electronic form includes dependents' date of birth, and that an estimate for non-electronic filing taxpayers was made using participation in the School Readiness Child Care credit. The results indicate that approximately 162,500 dependents would be eligible in a typical year, amounting to a revenue reduction of \$40.6 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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**Deborah Vivien**  
**Chief Economist**