

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1004

Bill Subtitle: TO ESTABLISH AN INCOME TAX CREDIT FOR EDUCATION EXPENSES OF DEPENDENTS.

Basic Change :

Rep. D. Altes

This bill provides an income tax credit for the education expenses paid for dependents. A taxpayer may claim a credit for expenses equal to 25% of the amount paid for tuition, book fees, and lab fees required by the dependent's school. The credit is available for a full time dependent enrolled in a kindergarten through twelve (K12) education program at any school. A taxpayer must have at least \$300 in expenses to qualify for the credit. Any unused credit may be carried forward for two consecutive years. This tax credit is effective for tax years beginning on or after 1/1/2013.

Revenue Impact :

Revenue Loss:

FY2014 - \$59.3 million

FY2015 - \$62.5 million

Taxpayer Impact :

Taxpayers will have to fill out a schedule to certify eligibility of expenses claimed and compute the allowable amount of credit. Individuals will be able to receive a credit against their individual income tax liability if they spend more than \$300 during a tax year for all of the taxpayer's dependents combined for tuition, book fees, and laboratory fees. Taxpayers will need to document the amount spent for qualifying expenditures for dependents to claim the credit.

Resources Required :

A new schedule will have to be developed to compute the amount of tax credit allowed. Computer programs will have to be modified to record and track the credits claimed. Cost \$5,500.

Time Required :

Adequate time provided by the bill.

Procedural Changes :

Tax forms and instructions will have to be modified. Staff will need to be trained. Tax preparers and Software companies will have to be notified.

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Other Comments :

Bill doesn't require reduction of expense credit by amount of scholarship awarded to dependent. There is no maximum amount of credit.

Legal Analysis :

HB1004 provides an individual income tax credit for a taxpayer who has one or more dependents who are full-time kindergarten through grade 12 pupils enrolled at any school. The credit is equal to 25% of the amount paid during the tax year for the dependents' tuition, books, and lab fees, provided that the total expenses of all dependents during the tax year meet or exceed \$300. The credit cannot exceed income tax liability and may be carried forward for 2 consecutive tax years. The credit would not be available for taxpayers whose dependents are home schooled. The bill does not address the application of the credit for divorced parents. The bill requires the DFA Director to promulgate rules to administer the credit.

The bill's definition of "dependent" is the same as that provided in 26 U.S.C. § 152, as in effect on January 1, 2013. The act would be effective for tax years beginning on or after January 1, 2013.

"Dependent" is misspelled on page 1, line 32.