

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1157

Bill Subtitle: TO INCREASE THE AMOUNT OF THE INCOME TAX DEDUCTION FOR A TEACHER'S QUALIFIED CLASSROOM INVESTMENT EXPENSE.

Basic Change :

Sponsor: Rep. Tollett

Current Arkansas law allows a teacher providing preschool, elementary, or secondary education at a public and state-certified school to deduct expenses incurred for materials purchased for use in the classroom. HB1157 increases the income tax deduction from \$250 to \$500 per taxpayer for "qualified classroom investment expenses" by a teacher for tax years beginning on and after January 1, 2021. Qualified expenses include books, school supplies, computer equipment and software, athletic equipment, food for a teacher's students, and clothing for a teacher's students. If a teacher is married to another teacher and files a joint tax return, both teachers may claim the deduction not to exceed \$1,000 total.

Revenue Impact :

FY2022 - \$237,000 reduction to General Revenue.

Taxpayer Impact :

A teacher will be able to deduct up to \$500 in qualified expenses. This is an increase from the current limit of \$250. Married taxpayers where both spouses are teachers can deduct \$1,000 if filing a joint return.

Resources Required :

Tax forms, instructions, and computer systems will need to be revised.

Time Required :

Adequate time is provided.

Procedural Changes :

Department employees and public will need to be educated.

Other Comments :

None.

Legal Analysis :

Under § 26-51-459(c), teachers may deduct an amount not exceeding \$250.00 per taxpayer, or \$500.00 for married teachers filing jointly, for qualified classroom investment expenses incurred for materials used in the classroom. § 26-51-459(a)(1) provides that these expenses include without limitation:

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- Books;
- School supplies;
- Computer equipment and software;
- Athletic equipment;
- Food for the teacher's students; and
- Clothing for the teacher's students.

HB1157 amends § 26-51-459(c) to increase the deduction amounts to \$500 per taxpayer or \$1,000 if both taxpayers are teachers and are married filing income tax returns jointly.