

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2183

Bill Subtitle: TO PROVIDE AN INCOME TAX CREDIT FOR CURRICULUM-BASED SUPPLIES PURCHASED AND USED BY AN EDUCATOR.

Basic Change :

Representative Harris

This bill establishes a \$500 tax credit for curriculum-based supplies purchased and used by an educator if the educator does not receive reimbursement for the costs of the supplies. The credit amount shall not exceed the amount of income tax due by the taxpayer. Curriculum-based supplies means books, supplies, computers and related equipment, other equipment, and supplementary materials when used by an educator in a classroom. Educator means a person who is a K-12 teacher, instructor, counselor, principal, or aide in an elementary or secondary school in Arkansas for at least 900 hours during a school year and currently licensed as a teacher in Arkansas. DFA may promulgate rules to administer the credit. Effective for tax years beginning on and after January 1, 2013.

Revenue Impact :

FY2014 - \$18.3 m loss

FY2015 - \$18.7 m loss

Taxpayer Impact :

An educator may be eligible for a \$500 tax credit for unreimbursed curriculum-based supplies that they purchased.

Resources Required :

Computer programming changes, form and booklet changes, staff training

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instructions will need to be updated. Taxpayers and preparers will need to be notified.

Other Comments :

The bill does not limit the credit to \$500 or the actual amount spent.

Legal Analysis :

The bill creates a new individual income tax credit for educators that purchase supplies for use in teaching their grade k-12 curriculums. The credit applies only to educators that are not reimbursed for their supply purchases. The credit is nonrefundable (it cannot exceed the educator's income tax liability). DFA may, at its discretion, promulgate a rule to implement the new credit.

Section 26-51-515(b) on page 2 of the bill should be amended to clarify that a credit of up to \$500 is allowed. As drafted, the bill currently authorizes a credit in the full amount of \$500 for any qualifying purchase. The income tax credit will apply to tax years beginning on or after January 1, 2013. The bill would become effective 90 days after adjournment of the session.