



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 93** SLS 15RS 470
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 12, 2015 3:27 PM **Author:** ADLEY
Dept./Agy.: Revenue **Analyst:** Greg Albrecht
Subject: Prohibits \$25/child Credit if tuition deduction taken

TAX/INCOME/PERSONAL EN -\$347,700,000 GF RV See Note Page 1 of 1
 Prohibits the \$25 credit for educational expenses for each child attending nonpublic elementary and secondary school if the tax deduction for payment of tuition and fees is taken and establishes the Student Assessment for a Valuable Education
Current law provides a \$25 per dependent child nonrefundable tax credit for educational expenses on personal income tax returns; available for all K-12 children. Current law also allows a deduction from income of K-12 nonpublic school tuition expenses, as well as expenses for uniforms and school supplies for all students, up to \$5,000 per dependent student.
Proposed law will allow the \$25 per child tax credit for resident returns only if the tuition expense deduction for Louisiana nonpublic elementary and secondary school tuition is not taken. Applicable to tax years beginning on or after 1/1/15.
Proposed law also establishes the SAVE (Student Assessment for a Valuable Education) program to facilitate higher education funding. Aggregate funding is determined by enrollments and a student assessment, imposed by the Board of Regents, of no more than the average household liability of income taxes, sales taxes, and motor fuels taxes, as determined by the Department of Revenue annually. Aggregate funding shall not exceed \$350 million per year or the amount appropriated and is transferred into the Higher Education Initiatives Fund by the Treasury from current tax collections. Funding is appropriated to the Board of Regents to be distributed among schools. No student or parent/guardian shall pay a higher education assessment which is not offset by the SAVE program. Ends 7/1/20.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	(\$350,000,000)	(\$350,000,000)	(\$350,000,000)	(\$350,000,000)	(\$350,000,000)	(\$1,750,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000	\$1,750,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes such as this (several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

Per Child Tax Credit/Deduction: According to the Department of Revenue, in FY14 there were 105,676 returns filed that claimed the tuition deduction for approximately 93,600 students (\$468 million of expenses deducted with \$21.7 million of tax collections foregone). Assuming the \$25 per child credit were also taken for all of those students, the bill would result in \$2.3 million of additional net tax receipts per year by disallowing the tax credit if the expense deduction is taken. In FY14, \$17 million of tax credit was associated with the \$25 per child educational credit. The bill clarifies that the existing \$25 credit is allowed for resident returns and, for the purposes of the tuition deduction the nonpublic elementary and secondary school must be located in Louisiana. This may result in a slightly higher net state revenue gain than above, to the extent some credit and deduction has been claimed on nonresident returns. The effect of this portion of the bill is not included in the table above.

SAVE Program: Based on an annual determination by the Department of Revenue of the average Louisiana household liability for income taxes, sales taxes, and motor fuels taxes, the Board of Regents is to levy an equivalent assessment on each student enrollee in a public higher education institution. A SAVE offset of no more than that amount is granted to each enrollee that is to be transferred to the Board. The Board is to certify the total affected enrollment, and the Treasury is to transfer into the Higher Education Initiatives Fund, from current tax collections, an amount of funds equivalent to the product of the enrollee assessment and the total enrollment. This transfer re-characterizes a portion of higher education means-of-finance by decreasing general fund resources and providing a like amount of increased statutory dedication resources, as shown in the table above. The aggregate amount of funding involved each year is limited to the amount appropriated by the legislature from the Higher Education Initiatives Fund each fiscal year, although the bill expressly contemplates a maximum of \$350 million per year. At the individual level, no assessment is paid by enrollees and no tax liabilities are reduced; the SAVE program is essentially an offset against higher education costs.

- Senate Dual Referral Rules House
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 - 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
 - 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 - 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
 - 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer