

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 7** SLS 162ES 17

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 9, 2016	1:54 PM	Author: MORRELL
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Earned Income Tax Credit		

TAX/TAXATION OR -\$20,000,000 GF RV See Note Page 1 of 1
Provides for increases to the earned income tax credit. (See Act) (Item No. 47)

Current law provides a refundable state tax credit equivalent to 3.5% of the federal earned income credit for which a taxpayer is eligible.

Proposed law increases the state credit to 5% of the federal credit amount.

Applicable to taxable years beginning on and after January 1, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$100,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$100,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue will incur minor reprogramming costs to incorporate the change in this credit.

REVENUE EXPLANATION

The existing state earned income tax credit has averaged \$47 million in the last three complete years (FY13 - FY15). Since this bill increases the credit by nearly 43%, it is reasonable to expect an additional \$20 million of foregone state tax revenue as a result of this bill. While fiscal years tend to have more than one tax period of returns filed in them, for personal income tax returns involving nonbusiness income items such as this credit, the bulk of the effect of a change such as proposed by this bill tend to be exhibited in the fiscal year in which the first affected tax period ends (returns for the single tax year 2014 claimed \$46.5 million). This bill makes this higher credit applicable for tax year 2016, and will reduce revenue starting in FY17.

Senate Dual Referral Rules House

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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

John D. Carpenter
John D. Carpenter
Legislative Fiscal Officer