

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 500** HLS 17RS 1122
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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| Date: May 1, 2017 6:59 PM | Author: SEABAUGH |
| Dept./Agy.: Education | Analyst: Jodi Mauroner |
| Subject: School Readiness Tax Credits | |

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Provides relative to the fees and grants eligible for the business-supported child care tax credit

Current law provides a refundable credit against any Louisiana individual or corporation income tax for the eligible business child care expenses supported by a business of between 5% and 20% depending upon the quality rating of the child care facility to which the expenses are related. There is an additional refundable credit for the payment of fees and grants to a child care resource and referral agency (not to exceed \$5,000).

Proposed legislation would extend this business credit to non-profit organizations that provide direct support and training to improve quality early childhood education. Applicable to all tax years beginning on and after January 1, 2018. Effective upon governor's signature.

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 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 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | DECREASE | DECREASE | DECREASE | DECREASE | \$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 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

To the extent eligible businesses make contributions to non-profit organizations providing support and training and claim reimbursement, payments will be made by the Department of Revenue before deposit of tax collections into the state treasury and charged against gross state tax collections (personal and corporate income tax). Net collections available for deposit into the state treasury will be reduced; actual reductions could be significant.

The state contracts with 7 Resource and Referral agencies across the state for which business donations are eligible for the credit under current law. In 2014, 210 businesses claimed \$906,809 in credits and in 2015, 172 businesses claimed \$743,301 in credits for donations made to these agencies. The number of non-profits eligible to receive donations cannot be quantified. For illustrative purposes, the LFO looked at the number of organizations which employ individuals who provide training to employees of approximately 1,600 early learning centers licensed by the state Department of Education. Louisiana Pathways Early Learning Center Career Development System (Pathways) maintains a trainer registry identifying individuals who have been reviewed and approved to provide training and continuing education to early learning center staff in Louisiana as required under the licensing regulations as well as laws and rules governing the award of the school readiness tax credits for other participants in the early childcare network. Pathways has identified 280 organizations with approved trainers which could potentially qualify under the proposed legislation. This includes organizations including or having affiliations with churches, charter schools, child care facilities, head start centers, private schools, school boards, and institutions of higher education.

In addition, there are an extensive number of non-profits engaged in support activities for early childhood education including Louisiana Public Broadcasting, Children's Museums, Community Based Action Agencies, Red Cross, and the United Way, as well as private schools, churches and day care centers. Since the proposed legislation does not define direct support and training or provide a mechanism to certify the donations were used for the specified activities, the potential impacts, while indeterminable, could be considerable.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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