

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 5** HLS 161ES 82

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> February 24, 2016 9:54 AM	<b>Author:</b> LEGER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Earned Income Tax Credit	

TAX CREDITS EG -\$47,000,000 GF RV See Note  
Increases the amount of the earned income tax credit (Item #26)

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 7% of the federal credit amount.

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

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	<b>(\$235,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>(\$47,000,000)</b>	<b>(\$47,000,000)</b>	<b>(\$47,000,000)</b>	<b>(\$47,000,000)</b>	<b>(\$47,000,000)</b>	<b>(\$235,000,000)</b>

**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 doubles the credit, it is reasonable to expect an additional \$47 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

- |  |  |
|--|--|
| <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**