

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 303** HLS 17RS 1031
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Education		Analyst: Jodi Mauroner
Subject: Tax Credits for Educational Expenses		

TAX CREDITS OR -\$18,900,000 GF RV See Note Page 1 of 1
 Provides for tax credits for certain educational expenses

Proposed legislation provides for a tax credit against individual income tax liability of a taxpayer for eligible expenses of eligible educators. The amount of the credit shall be \$125 for every \$250 in expenses. Unused credits may be carried forward indefinitely to be used against subsequent tax liability. Defines eligible educator as K-12 teachers, instructors or certain aids. Defines eligible expenses as necessary and ordinary expenses incurred on books, supplies, equipment, software, services or other materials used in a classroom or instructional setting. Defines qualified school as a public elementary and secondary school, a non-public elementary and secondary school, and home school programs. Applicable to tax years beginning on or after January 1, 2018 and before January 1, 2023 (tax years 2018 - 2022, with fiscal year effects in FY19 - FY23).

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	(\$6,300,000)	(\$12,600,000)	(\$18,900,000)	(\$18,900,000)	(\$56,700,000)
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	\$0	(\$6,300,000)	(\$12,600,000)	(\$18,900,000)	(\$18,900,000)	(\$56,700,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

To the extent eligible educators make expenditures for eligible classroom materials and claim credits on their personal income tax returns, net collections available for deposit in the state treasury will be reduced. There is no annual aggregate maximum amount of the credit. Charges against gross state tax collections could be considerable. The availability of the credit sunsets December 31, 2022, but an indefinite carryforward of unused credit is allowed.

In 2013 The Education Market Association (formerly the National School Supply and Equipment Association) conducted a study that found that 99.5% of teachers had out-of-pocket expenses for purchases of school supplies for the 2012-2013 school year. On average, teachers surveyed said they spent a total of \$268 on school supplies, \$491 on instructional materials, and an additional \$186 on other classroom supplies for an average total of \$945 during the last school year. Similarly in 2016 Scholastic Inc. reported on a national survey of 4,721 public school educators conducted by YouGov which found that on average, those teachers spent \$530 of their own money on items for classroom or student use, with teachers in high poverty schools spending nearly 40% more than other teachers (total of \$742).

As of October 1, 2016, per the Louisiana Department of Education (LDE) Profile of Educational Personnel (PEP), there were 49,028 public school teachers in Louisiana. Per the 2016 Nonpublic Annual Report, there were 11,817 nonpublic faculty in Louisiana (i.e., faculty at both BESE-approved nonpublic schools and registered non-public schools not seeking state approval). Finally, the LDE does not collect the number of home study teachers in Louisiana. However, the Quarterly Home Study Report from January 2017 shows 12,822 BESE-approved home study students and 5,712 Registered Nonpublic Schools not seeking state approval, with a total of 14,999 students enrolled in these schools. Assuming an average 2.5 students each there could be as many as 6,000 home school instructors who qualify. The result is a total of approximately 75,820 potentially qualified individuals. This count does not include other instructors and aids who may meet the proposed credit eligibility requirements.

An average annual expenditure of \$500 by each of the 75,820 eligible individuals, results in a credit eligibility of \$18.9 million (75,820 * \$250). 2015 State personal income tax data indicates the average tax liability for an individual filer making between \$40,000 and \$50,000 of approximately \$994 or \$663 for a couple filing jointly, sufficient tax liability to allow affected taxpayers to deduct the full amount of the credit on an annual basis. However, since there is no limit on the amount of expenditures for which a credit can be claimed, if the available credit exceeds the tax liability, the carryforward provision can be used against future tax liabilities. Actual credit claims will likely ramp-up over time as eligible taxpayers learn of the availability of the credit. Assumed 1/3 per year in the table above.

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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