

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 61** HLS 21RS 15

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--|---------|-------------------------------|
| Date: April 23, 2021 | 1:05 PM | Author: HODGES |
| Dept./Agy.: Revenue | | Analyst: Greg Albrecht |
| Subject: Earned Income Tax Credit | | |

TAX CREDITS

OR SEE FISC NOTE GF RV

Page 1 of 1

Requires taxpayers claiming the earned income tax credit to provide certain residency information regarding dependents

Proposed law requires any taxpayer claiming a dependent on a tax return to provide a statement that the dependent has been physically present in the United States for at least six months of the taxable year.

Current law provides a refundable tax credit for taxpayers eligible for the federal earned income tax credit. The state credit is 5% of the federal credit amount, through December 31, 2025. After that date the state credit is 3.5% of the federal credit.

Proposed law requires taxpayers claiming a qualifying child for the federal credit to sign a statement that the child was physically present in the United States when the tax return was filed, was physically present in the United States for at least six months of the taxable year, and if born during the taxable year, was physically present in the United States for the lesser of six months of the taxable year or 50% of the days of the taxable year.

Effective for tax years beginning on and after January 1, 2022.

| EXPENDITURES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 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 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$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. The current worksheet used to calculate the state earned income tax credit would be modified, at minor cost, to include the required statement.

REVENUE EXPLANATION

According to the Dept. of Revenue, the six month presence requirement of proposed law is already a requirement for the federal credit upon which the state credit is based. No revenue impact from that proposed state requirement is expected. The proposed requirement that the qualifying child be physically present in the United States at the time the state tax return is filed may result in some disqualification for the credit. Any resulting gain in net state tax receipts is indeterminable, and likely minor given the narrow nature of that requirement.

The required statement of dependency presence for six months of the year does not preclude the claiming of a dependent, and is not expected to impact revenues.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
Legislative Fiscal Officer