

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



Fiscal Note On: **HB 299** HLS 21RS 885

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

**REVISED**

<b>Date:</b> April 25, 2021	12:40 PM	<b>Author:</b> JAMES
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Earned Income Tax Credit		

TAX CREDITS OR -\$68,500,000 GF RV See Note Page 1 of 1  
Increases the amount of the earned income tax credit and makes the increased amount permanent

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 increases the credit to 10% of the federal credit amount, and makes this level credit permanent.

Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</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	\$0	\$0	\$0	\$0	\$0	<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>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$65,100,000)	(\$68,500,000)	(\$68,500,000)	(\$68,500,000)	(\$68,500,000)	<b>(\$339,100,000)</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	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>(\$65,100,000)</b>	<b>(\$68,500,000)</b>	<b>(\$68,500,000)</b>	<b>(\$68,500,000)</b>	<b>(\$68,500,000)</b>	<b>(\$339,100,000)</b>

**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 new calculation at 10% rather than 5%.

**REVENUE EXPLANATION**

Based on 2019 tax return data, the state earned income tax credit is currently worth approximately \$68.5 million per tax year at the 5% calculation. A 10% calculation would effectively double the credit to \$137 million per year, resulting in an additional \$68.5 million of credit cost to the state fisc. Filing patterns for returns claiming this credit indicate that 95% of the credit tends to be realized in the first fiscal year possible (FY22 in this case). By the second fiscal year, the full tax year credit amount is being realized.

Outside the fiscal note horizon the additional credit cost is \$90 million per year, based on the current law baseline that reduces the credit to 3.5% after tax year 2025.

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}

**Christopher A. Keaton**  
**Legislative Fiscal Officer**