

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 177** SLS 11RS 252

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|---------|-------------------------------|
| Date: May 18, 2011 | 7:37 AM | Author: HEITMEIER |
| Dept./Agy.: Revenue | | Analyst: Greg Albrecht |
| Subject: Credit For Higher Education Loan Interest | | |

TAX/INCOME/PERSONAL OR -\$9,480,000 GF RV See Note Page 1 of 1

Grants a non-refundable income tax credit for 10% of the deduction from gross income taken by a taxpayer on his federal income tax return for interest paid on a loan for higher education expenses. (gov siq)

Provides a nonrefundable tax credit to resident taxpayers for 10% of the adjustment taken on the federal tax return for interest paid on a loan for higher education expenses.

Effective for all tax periods beginning on and after January 1, 2011.

| EXPENDITURES | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 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 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 5 -YEAR TOTAL |
|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| State Gen. Fd. | (\$9,480,000) | (\$9,480,000) | (\$9,480,000) | (\$9,480,000) | (\$9,480,000) | (\$47,400,000) |
| 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 | (\$9,480,000) | (\$9,480,000) | (\$9,480,000) | (\$9,480,000) | (\$9,480,000) | (\$47,400,000) |

EXPENDITURE EXPLANATION

The Department of Revenue will incur costs associated with modifying tax forms (hardcopy and online) to accommodate this new credit. Typically, adjustments such as this may require \$20,000 - \$30,000 of staff time and effort to design, set up, and test.

REVENUE EXPLANATION

The estimated amount of federal adjustment for higher education loan interest taken by Louisiana residents is \$9.48 million. This estimate is based on 2008 federal tax year data for all filers in the O.S. and from Louisiana (the latest available). In that data 6.4% of O.S. returns claimed this adjustment, with an average return amount of \$846. Applying that share to total Louisiana returns gives nearly 112,000 returns expected to be able to take this new state credit. Assuming the average U.S. claim amount, the aggregate amount of credit claims on federal returns from Louisiana residents is \$94.8 million. A state credit of 10% of this amount would be \$9.48 million. Testing this nonrefundable credit amount against state return data across the broad income groups that claimed the credit at the federal level indicated that virtually all of this state credit would be taken by taxpayers with state tax liabilities sufficient to exhaust all the available credit.

Senate

Dual Referral Rules

House

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

6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}

6.8(F)2 >= \$100,000 Annual SGF 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}

H. Gordon Monk

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Legislative Fiscal Officer