



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **SB 177** SLS 11RS 252  
Bill Text Version: **REENGROSSED**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> June 11, 2011	10:14 AM	<b>Author:</b> HEITMEIER
<b>Dept./Agy.:</b> Revenue		
<b>Subject:</b> Credit For Higher Education Loan Interest		<b>Analyst:</b> Greg Albrecht

TAX/INCOME/PERSONALRE -\$6,300,000 GF RV See NotePage 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 100% of the adjustment taken on the federal tax return for interest paid on a loan for graduate (above the baccalaureate level) higher education expenses.

Effective in the year when the Department of Revenue receives written certification from both the Division of Administration and the Legislative Fiscal Office that the tax credit is likely to achieve revenue neutrality.

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	\$0	\$0	\$0	\$0	\$0	\$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.	(\$6,300,000)	(\$6,300,000)	(\$6,300,000)	(\$6,300,000)	(\$6,300,000)	(\$31,500,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$6,300,000)	(\$6,300,000)	(\$6,300,000)	(\$6,300,000)	(\$6,300,000)	(\$31,500,000)

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 bill targets the interest expense adjustment taken on federal returns of higher education loans above the baccalaureate level. This is a federal means-tested adjustment/deduction from income allowed for all higher education loan interest expense. A state tax credit would be available for this adjustment amount taken for loans on post-baccalaureate loans.

A relatively small amount of higher education loans should be loans for post-baccalaureate degrees. The following exercise attempts to recognize this likelihood. Federal tax year 2008 data (latest available) indicated that 6.4% of U.S. returns claimed this adjustment for all higher education loans, with an average amount of \$846. Census data indicates that the share of the Louisiana adult population that has a bachelor’s degree or higher is about 75% of the level of the U.S. as a whole, and only about 9% of the adult U.S. population has a post-baccalaureate degree. Applying these shares to the total number of Louisiana resident tax returns generates an estimate of 7,500 returns that could claim this credit. Utilizing the average adjustment amount from federal return data generates an estimate of \$6.3 million per year of tax credit exposure to state revenue.

The provision of this tax credit hinges upon certification of its revenue neutrality to the state fisc by two agencies; the Division of Administration and the Legislative Fiscal Office. Depending on the results of these analyses it is possible that this credit will not go into effect.

Senate

Dual Referral Rules

House

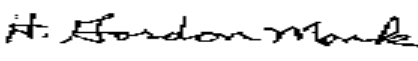
☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

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

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

☐ 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}

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



H. Gordon Monk  
Legislative Fiscal Officer