

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 70** HLS 15RS 541

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 27, 2015 6:34 PM	Author: LEGER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Earned Income Tax Credit	

TAX/INCOME-INDIV/CREDIT EG -\$47,000,000 GF RV See Note
Increases the amount of the earned income tax credit

Current law provides a refundable tax credit equivalent to 3.5% of the federal earned income credit for which a taxpayer is eligible.

Proposed law increases the state credit to 7% of the federal credit amount.

Applicable to taxable years beginning on and after January 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$235,000,000)
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	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$47,000,000)	(\$235,000,000)


EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue will incur minor reprogramming costs to incorporate the change in this credit.

REVENUE EXPLANATION

The existing state earned income tax credit has averaged \$47 million in the last three complete years (FY12 - FY14). Since this bill doubles the credit, it is reasonable to expect an additional \$47 million of foregone state tax revenue as a result of this bill. While fiscal years tend to have more than one tax period of returns filed in them, for personal income tax returns involving nonbusiness income items such as this credit, the bulk of the effect of a change such as proposed by this bill is likely to be exhibited in the fiscal year in which the first affected tax period ends. This bill makes this higher credit applicable for 2015, and will reduce FY16 revenues.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input checked="" type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |


John D. Carpenter
Legislative Fiscal Officer