

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 394** HLS 05RS 886
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: April 26, 2005 8:26 PM	Author: KENNEY
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Income Tax - Credit for Classroom Supply Purchases	

TAX/INCOME TAX OR -\$12,000,000 GF RV See Note Page 1 of 1
 Provides a deduction to school teachers for school supply purchases

Provides a tax credit for any public school classroom teacher who purchases classroom supplies with personal income for use in the classroom. The credit amount is equal to the lesser of the purchases or \$250. The credit shall not exceed the taxpayer's tax liability.

Effective for all taxable periods beginning after December 31, 2005.

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	\$15,000	\$0	\$0	\$0	\$0	\$15,000
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	\$15,000	\$0	\$0	\$0	\$0	\$15,000

REVENUES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)	(\$48,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)	(\$48,000,000)

EXPENDITURE EXPLANATION

The Department of Revenue would likely have some costs associated with form adjustment, reprogramming, and other miscellaneous changes necessary to implement this exemption. Those costs are estimated at \$15,000.

REVENUE EXPLANATION

There would be approximately 48,000 teachers eligible for this credit. Since the average salary of a public school teacher is currently approximately \$38,000 per year, it is likely that virtually all teachers that took advantage of this credit would have sufficient tax liability to exhaust the available credit if they purchased at least \$250 of items for their classrooms. Since expenditures up to this amount are essentially reimbursed by the state through this mechanism, it is also likely that a large share of these teachers would avail themselves of this opportunity to enhance their classrooms. Maximum annual credits would be some \$12 million per year. Obviously, to the extent some teachers do not take advantage of the credit, revenue losses would be lower than the maximum estimated here.

The first affected tax year is 2006, for which returns will be filed in the spring of 2007, initially affecting collections in fiscal year 2006 - 2007.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

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

H. Gordon Monk
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Acting Legislative Fiscal Officer