

Fiscal Estimate Narratives

DOR 10/3/01

LRB Number	01-2200/1	Introduction Number	AB-511	Estimate Type	Original
Subject					
Income tax deduction for school expenses					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates an individual income tax deduction for elementary and secondary educational expenses that may not exceed \$500 for each eligible dependent child in grades kindergarten through 12. Eligible expenses are defined as materials or supplies used "during the normal course of instruction in a school," which includes public, private, and charter schools, as well as home-based schools.

Based on information provided by the Department of Public Instruction, there are approximately 1,050,000 pupils enrolled in kindergarten through grade 12 in all school settings (i.e., public, private, charter, and home-based schools). The average amount spent by parents on school supplies for grades K-12 is unknown. Assuming that parents claim an average \$200 deduction for each child and an average marginal tax rate of 6.14%, this bill would reduce state revenues by \$13 million ($1,050,000 \times 200 \times 0.0614$) annually. If parents claim the maximum credit, the revenue loss associated with this bill would increase to \$32 million.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Income tax deduction for school expenses			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	Date
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