

FISCAL NOTE

Bill #: HB 330

Title: Tax credit for higher education expenses

Primary Sponsor: George Golie

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	\$5,863	\$125
Revenue:		
General Fund	\$(1,146,000)	\$(1,161,000)
Net Impact on General Fund Balance:	\$(1,151,863)	\$(1,161,125)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill would allow taxpayers who claim the hope scholarship credit or the lifetime learning credit against their federal income tax to take a credit against their Montana income tax equal to 10% of the credit they claim against their federal income tax. This credit would be available for tax years beginning with 2001.
2. The hope scholarship and lifetime learning credits were first available for tax year 1998. The total amount of credits claimed for tax year 1998 were \$3.376 billion. The average credit claimed was \$726. (Internal Revenue Service)
3. In 1997 undergraduate enrollment in two and four year colleges and universities in Montana was 0.33% of the national total (US Department of Education).

(continued)

4. If credits claimed in the state were proportional to undergraduate enrollment, federal credits claimed by Montana taxpayers were \$11.141 million (0.33% of \$3.376 billion).
5. Credits claimed in fiscal 2002 will be for tax year 2001, and credits claimed in fiscal 2003 will be for tax year 2002.
6. The cost of education is forecast to increase 2.86% from 1998 to 2001 and 4.23% from 1998 to 2002.
7. Credits claimed against Montana income tax because of this bill would be \$1.146 million in fiscal 2002 (10% of \$11.141 million x 1.0286) and \$1.161 million in fiscal 2003 (10% of \$11.141 million x 1.0423).
8. This bill would require the department of revenue to add an additional line to the individual income tax form and to modify its computer systems to record the additional information. This would cost the department \$5,738 in fiscal 2002. Additional processing costs for the department would be \$125 per year.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$5,604	\$125
Equipment	<u>\$259</u>	<u>\$0</u>
TOTAL	\$5,863	\$125
<u>Revenues:</u>		
General Fund (01)	\$(1,146,000)	\$(1,161,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$(1,151,863)	\$(1,161,125)