

FISCAL NOTE

Bill #: SB220

Title: Earned income tax credit

Primary

Sponsor: John Bolinger

Status: 3rd Reading - Amended

Sponsor signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	\$20,241	\$0
Transfers:		
General Fund	\$(578,826)	\$(578,826)
Federal Special Revenue (TANF Block Grant)	\$578,826	\$578,826
Revenue:		
General Fund (Income Tax)	\$(604,408)	\$(604,408)
Net Impact on General Fund Balance:	\$(45,823)	\$(25,582)

<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 applies to tax years beginning after December 31, 2000 (TY2001) and terminates December 31, 2002; fiscal impacts from this proposal will occur only in fiscal years 2002 and 2003. There are no long-term impacts under the bill as amended.
2. The amended bill provides for a *refundable* state-level earned income tax credit that is equal to 25% of the federal earned income tax credit; however, only individuals who are eligible FAIM recipients on the last day of the tax year for which the credit is claimed qualify for the credit.
3. Based on data from the Department of Public Health and Human Services (DPHHS), there are 758 taxpayers who are FAIM eligible and have earned income qualifying them for this credit. These

(continued)

individuals currently have a total annual individual income tax liability of \$25,582. They would qualify for a total state-level earned income credit of \$604,408. Of this amount, \$578,826 represents the refundable portion of the credit.

4. "eligible FAIM recipient" means an individual who is receiving cash assistance under the FAIM program.
5. The bill provides that the refundable portion of the credit will be paid for with transfers from the federal temporary assistance to needy families (TANF) block grant to the state general fund. The net impact is a reduction in general fund revenue of \$25,582 annually, which represents the nonrefundable portion of the total earned income tax credit.
6. The Department of Revenue will experience an increase in administrative expense of \$20,241 in fiscal year 2002 in order to provide for a new line on individual income tax forms, and computer programming expenses associated with this new credit.
7. This fiscal note does not include costs of the additional individuals that would qualify for the credit if SB77 which expands the eligibility for FAIM were passed. If SB77 were passed the cost of the credit would rise to approximately \$1.24 million per year.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$20,241	\$0
<u>Transfers:</u>		
Federal Special Revenue – Transfer out(03)	578,826	578,826
General Fund – Transfer in(01)	(578,826)	(578,826)
<u>Funding:</u>		
General Fund (01)	\$(558,585)	\$(578,826)
Federal Special Revenue (03)	578,826	578,826
<u>Revenues:</u>		
General Fund (01)	\$(604,408)	\$(604,408)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$(45,823)	\$(25,582)
Fed Spec Rev (03) (TANF Block Grant)	\$(578,826)	\$(578,826)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill has no impact on county or other local government revenues or expenditures.

LONG-RANGE IMPACTS:

The bill terminates December 31, 2002, so there are no long-range impacts.

TECHNICAL NOTES:

1. Currently all available TANF funds are appropriated in HB2. Other TANF expenditures would have to be reduced or the reimbursements to the general fund in this bill would not be available.
2. If is unclear if "eligible TANF recipient" is to include only those who are receiving cash assistance or the broader group which include those receiving TANF funded services.