



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # HB0719

Title: Child and dependent care tax credit

Primary Sponsor: Wilmer, Franke

Status: As Amended in House Committee

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$39,062	\$33,610	\$34,450	\$35,312
Revenue:				
General Fund	(\$1,659,627)	(\$1,659,627)	(\$1,659,627)	(\$1,659,627)
Net Impact-General Fund Balance:	<u>(\$1,698,689)</u>	<u>(\$1,693,237)</u>	<u>(\$1,694,077)</u>	<u>(\$1,694,939)</u>

Description of fiscal impact: This legislation creates a refundable child and dependent care tax credit equal to 25% of the federal credit claimed for all single or head of household taxpayers. This credit is only available for Montana residents.

FISCAL ANALYSIS

Assumptions:

1. This legislation would create a refundable child and dependent care tax credit equal to 25% of the federal child and dependent care tax credit. In addition, only resident taxpayers may claim the credit.
2. The IRS indicates that \$6,722,000 was claimed for the child and dependent care credit by Montana taxpayers in tax year 2004. The proposed credit would be equal to 25% of the federal credit claimed. If the proposed legislation had been in place during tax year 2004, the amount of credit claimed would have been \$1,680,764 (\$6,722,000 * 25%).
3. The proposed legislation does not allow taxpayers to claim a deduction on the same amount of expenses used to claim the credit. In tax year 2004, households eligible for the credit claimed child and dependent care expense deductions for a combined reduction in tax liability of \$20,873. This fiscal note assumes that

all of the expenses used to claim the deduction would be used to claim the credit. There is an offset of \$20,873, resulting in a cost of \$1,659,627 (\$1,680,500- \$20,873) had the credit been in place during tax year 2004.

4. The HJR 2 revenue estimates for individual income taxes include an assumption of 3.10% decline in the child and dependent care deduction. However, the refundable nature of this credit and its targeting to lower-income households may increase use of the tax credit for child and dependent care expenses. For the purposes of this fiscal note, it is assumed that no growth in the cost of the credit from 2004 to the years covered in this fiscal note occurred.
5. Credits for a tax year will be claimed on tax returns filed the following spring. Credits for a tax year will reduce revenue in the next higher numbered fiscal year.
6. Credits for tax year 2007 will be \$1,659,627 and general fund revenue for FY 2008 would be reduced by the same amount. General fund revenue would be reduced by \$1,659,627 in FY 2009 through FY 2011.
7. The Department of Revenue will require a ½ FTE to review this credit. The expected administrative costs are \$39,062 in FY 2008 and \$33,610 in FY 2009, increasing to \$34,450 in FY 2010 and \$35,312 in FY 2011.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.50	0.50	0.50	0.50
<u>Expenditures:</u>				
Personal Services	\$27,664	\$27,664	\$28,356	\$29,064
Operating Expenses	\$5,498	\$5,946	\$6,095	\$6,247
Equipment	\$5,900	\$0	\$0	\$0
TOTAL Expenditures	<u><u>\$39,062</u></u>	<u><u>\$33,610</u></u>	<u><u>\$34,450</u></u>	<u><u>\$35,312</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$39,062</u>	<u>\$33,610</u>	<u>\$34,450</u>	<u>\$35,312</u>
TOTAL Funding of Exp.	<u><u>\$39,062</u></u>	<u><u>\$33,610</u></u>	<u><u>\$34,450</u></u>	<u><u>\$35,312</u></u>
<u>Revenues:</u>				
General Fund (01)	<u>(\$1,659,627)</u>	<u>(\$1,659,627)</u>	<u>(\$1,659,627)</u>	<u>(\$1,659,627)</u>
TOTAL Revenues	<u><u>(\$1,659,627)</u></u>	<u><u>(\$1,659,627)</u></u>	<u><u>(\$1,659,627)</u></u>	<u><u>(\$1,659,627)</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,698,689)	(\$1,693,237)	(\$1,694,077)	(\$1,694,939)

Technical Notes:

1. Page 1, line 15, the word separately is more appropriate than singly.

Sponsor's Initials

Date

Budget Director's Initials

Date