GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0832 - Provide tax credit for early childhood workforce (Romano, Melissa)	
Status:	As Introduced

☐Significant Local Gov Impact ☐Needs to be included in HB 2 ☐Technical Concerns

☐Included in the Executive Budget ☒Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	($4,368,000)	($4,556,370)	($4,856,670)
Net Impact-General Fund Balance:	$0	($4,368,000)	($4,556,370)	($4,856,670)

Description of fiscal impact: HB 832 creates a refundable income tax credit for qualified early child-care workers. The proposed credit will reduce general fund revenue by $4,368,000 in FY 2025, $4,556,370 in FY 2026, and $4,856,670 in FY 2027.

FISCAL ANALYSIS

Assumptions:

1. HB 832 creates a personal income tax credit for early child-care workers. The credit is fully refundable and applies starting TY 2024. To qualify for the credit, each taxpayer must be listed in the Early Childhood Project workforce registry, be employed for at least six months of the tax year, worked at least 20 hours a week, and be employed within certain facilities.
2. The credit is equal to $1,600 in TY 2024. The credit is adjusted each year for inflation by multiplying the previous year's credit base amount by the current year's inflation factor. For the credit, the inflation factor is the previous tax year's CPI for June divided by the CPI for June 2023. The credit amount for the current tax year becomes the new base amount for the next tax year's credit calculation.
3. The revenue estimates in HJ 2 assume that the inflation at the federal level will be 4.3% in TY 2024 and 2.2% in TY 2025.
4. Based on a credit amount of $1,600 in TY 2024, and the inflation in assumption 3, the credit amount will increase to $1,669 ($1,600 X 1.043) in TY 2025 and $1,779 ($1,669 X (1.043 X 1.022) in TY 2026.

5. The credit is limited to individuals listed in the Early Childhood Project workforce registry.
6. According to the Early Childhood Project, there were 2,730 distinct individuals in the registry who would qualify as being employed at least six months and worked a minimum of 20 hours per week in TY 2023.
7. It is assumed that the number of qualified taxpayers will remain unchanged between TY 2023 and TY 2026.
8. With 2,730 qualified taxpayers, and a $1,600 credit, it is assumed that taxpayers would claim $4,368,000 in credits in TY 2024. For tax years 2025 and 2026, it is assumed that taxpayers will claim $4,556,370 (2,730 X $1,669) and $4,856,670 (2,730 X $1,779) in credits each year, respectively.
9. It is assumed the taxpayers will claim the credit when filing their returns, the following fiscal year.
10. With $4.368 million in credits in TY 2024, and taxpayers claiming the credit when filing their taxes the following year, the proposed credit will reduce general fund revenue by $4,368,000 in FY 2025. General fund revenue will also decrease by $4,556,370 in FY 2026 and $4,856,670 in FY 2027.
11. The changes made by HB 832 can be made as part of the Department of Revenue's annual change process. The Department of Revenue does not expect to incur any significant additional costs because of this bill.

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Fiscal Impact:				
FTE	0.00	0.00	0.00	0.00
Expenditures:				
Personal Services	$0	$0	$0	$0
TOTAL Expenditures	$0	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$0	$0	$0	$0
TOTAL Funding of Exp.	$0	$0	$0	$0
Revenues:				
General Fund (01)	$0	($4,368,000)	($4,556,370)	($4,856,670)
TOTAL Revenues	$0	($4,368,000)	($4,556,370)	($4,856,670)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	($4,368,000)	($4,556,370)	($4,856,670)

Long-Term Impacts:

1. As drafted, the credit amount is increased each year based on the inflation factor defined in the bill, and has the base credit amount the inflation factor is applied to each year updated with the credit amount from the previous tax year. This results in the credit growing at an exponential rate. Over the long term, this growth in the credit amount can result in significant increases in the cost of the credit.

MK			3-20-23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*