

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6170

BILL NUMBER: HB 1158

NOTE PREPARED: Nov 19, 2008

BILL AMENDED:

SUBJECT: Income Tax Credit for Textbook Fees.

FIRST AUTHOR: Rep. VanDenburgh

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a refundable income tax credit for textbook expenses paid by a taxpayer whose household income does not exceed 350% of the federal income poverty level for dependents of the taxpayer who are enrolled in a public school or an accredited nonpublic school.

Effective Date: January 1, 2009 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new Income Tax Credit for Textbook Fees. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - This bill reduces Adjusted Gross Income (AGI) tax liabilities for individual taxpayers who incur textbook expenses for a dependent enrolled in kindergarten through Grade 12 and have a household income that does not exceed 350% of the federal poverty level (FPL) beginning in 2009. Loss in revenue due to this bill could total approximately \$23.9 M in FY 2010 and \$25.0 M in FY 2011. Revenue collected from the AGI Tax on individuals is deposited in the state General Fund.

Fiscal Year	# of Children Eligible for the Tax Credit (excluding those who qualify for textbook reimbursements)	Average Cost per Student	Potential Fiscal Impact
2010	369,797	\$106	\$23.9 M
2011	367,786	\$112	\$25.0 M
2012	367,062	\$119	\$26.5 M

Background Information - For qualifying taxpayers whose household income does not exceed 250% of the FPL, the tax credit will equal the textbook expense. For those whose household income does exceed 250% but not 350% of the FPL, the tax credit will equal 50% of the textbook expense. The tax credit is refundable for both groups. The 2008 Federal Poverty Guidelines are provided in the table below.

2008 Federal Poverty Level Guidelines (Family Income per Year)		
Family Size	250% FPL	350% FPL
2	\$35,000	\$49,000
3	\$44,000	\$61,600
4	\$53,000	\$74,200
Each Additional Person	\$9,000	\$12,600

In order to determine the number of children who would be eligible for the tax credit, students already receiving free textbooks and home-schooled students were subtracted from the total number of children ages 5 to 17 living within the designated poverty levels. Because of the uncertainty of predicting future budgetary allocations, an assumption was made that the percentage of children eligible for textbook reimbursements whose income does not exceed 250% of the FPL would not grow, but would remain static after 2007—the last year of data that was provided for the textbook reimbursement program. The potential fiscal impact was calculated using data from the Indiana Department of Education and the U.S. Census Bureau’s growth rates for ages 5 to 17 of the population.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Indiana Department of Education; U.S. Census Bureau’s *Current Population Survey, Annual Social and Economic Supplement, 2005-2007*; *Federal Register*, Vol. 73, No. 15, pp. 3971-3972; U.S. Department of Education, National Center for Education Statistics, Parent Survey of the 1999 National Household Education Surveys Program (NHES); Parent and Family Involvement in Education Survey of the

2003 NHES.

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