

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2714-01  
BILL NO.: HB 1299  
SUBJECT: Economic Development Department; Education, Elementary and Secondary;  
Taxation and Revenue - General; Taxation and Revenue - Income; Charities  
TYPE: Original  
DATE: January 13, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$25,311 to \$5,025,311)	\$0 to (\$5,000,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>(\$25,311 to \$5,025,311)</b>	<b>\$0 to (\$5,000,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

**Department of Revenue (DOR)** officials stated the number of taxpayers eligible for this credit is unknown. The Division of Taxation would need one (1) Tax Processing Technician I for every 1,680 credits claimed per year and one (1) Tax Season Temporary for every 260,000 credits claimed per year. One (1) Tax Processing Technician I would be needed for every 30,000 additional income tax errors and one (1) Tax Processing Technician I for every 12,000 additional corporate tax errors generated from this proposal.

DOR stated the proposal would require modifications to the income tax system and credit application system. The Division of Taxation estimates the modifications, including programming changes, would require 1,384 hours at a cost of \$41,617. Modifications to the income tax return and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$4,503 would be requested for implementation costs.

**Oversight** assumes the DOR could accomplish changes to their automated systems at the amount they estimated in a similar proposal last year, \$20,808 (692 hours).

Officials from the **Office of Administration (COA)** did not respond to this proposal, but in a response from last year, stated there is no data available that would indicate how much would be donated under this proposal. COA assumes the amount of credits is capped at \$5 million per fiscal year. COA ranges the fiscal impact from \$0 to (\$5,000,000) annually.

Officials from the **Department of Elementary and Secondary Education** state this proposal will not fiscally impact on their agency.

Officials from the **Department of Economic Development** also did not respond to our fiscal impact request.

**This proposal would result in a decrease in Total State Revenues.**

FISCAL IMPACT - State Government                      FY 2001              FY 2002              FY 2003  
 (10 Mo.)

**GENERAL REVENUE FUND**

Loss - General Revenue Fund

Income tax credits for scholarships	\$0	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)
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Cost - Department of Revenue

Reprogramming costs	\$0	(\$25,311)	\$0
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**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

<b>\$0</b>	<b>(\$25,311 to</b>	<b>\$0 to</b>
<b>(\$5,025,311)</b>		<b>(\$5,000,000)</b>

FISCAL IMPACT - Local Government                      FY 2001              FY 2002              FY 2003  
 (10 Mo.)

<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
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FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent they would incur cost for making the voluntary cash contributions and receive benefit from the tax credit for making the contribution.

DESCRIPTION

This proposal would authorize a state income tax credit for donations to scholarship charities, as determined by this proposal. A scholarship charity is a tax-exempt charitable organization which would allocate at least 90% of its annual revenue for scholarships to children to allow them to attend a public or non-discriminatory private elementary or secondary school. The credit would not be refundable, but may be carried forward and applied to future tax liabilities for up to four years. The total annual amount of credits would be limited to \$5 million. The Director of the Department of Economic Development would determine which organizations qualify as scholarship charities. Credits would be allocated equally at the beginning of each year to all scholarship charities and those not used by a date determined under rules of the Director may be reallocated by the Director to ensure the maximum amount of credits are used each year.

L.R. NO. 2714-01  
BILL NO. HB 1299  
PAGE 4 OF 4  
January 13, 2000

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Department of Elementary and Secondary Education

**NOT RESPONDING:** Department of Economic Development, Office of Administration -  
Budget and Planning



Jeanne Jarrett, CPA  
Director  
January 13, 2000