LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6745 | **DATE PREPARED:** Jan 28, 1999
BILL NUMBER: HB 2013 | **BILL AMENDED:**

SUBJECT: Income tax deduction for textbook fees.

FISCAL ANALYST: Diane Powers
PHONE NUMBER: 232-9853

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill provides a deduction from an individual's adjusted gross income for textbook rental fees at the elementary and secondary school levels and for required textbook purchases at the postsecondary level. The bill provides certain limits on the allowable deduction for required textbook purchases at the postsecondary level.

Effective Date: January 1, 2000.

Explanation of State Expenditures: The Department of Revenue will have some additional administrative expenses associated with revising tax forms, instructions and computer programs to accommodate this new deduction. These expenses will be covered under their existing budget.

Explanation of State Revenues: This bill provides an income tax deduction for textbook expenses paid by the taxpayer for the individual or dependent enrolled in a qualified primary, secondary or postsecondary institution. The deduction for full time elementary, secondary and postsecondary textbook expenses is equal to the lesser of the purchase price or $250 per student per semester. The deduction for a part time student's expenses is equal to the lesser of $150 per student per semester. Based on the number of Indiana students in primary, secondary and Indiana post secondary schools, it is estimated that this deduction will result in a revenue loss of approximately $12.5 M annually.

The deduction is for tax years beginning January 1, 2000 and will affect revenue collections beginning in FY 2001. Individual income tax revenue is deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties with a local option income tax will lose an indeterminable amount of local option income tax revenue from this new deduction.

State Agencies Affected: Department of Revenue.

Local Agencies Affected: Counties with a local option income tax.

Information Sources: Department of Education; Commission on Higher Education.