

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7099
BILL NUMBER: SB 358

DATE PREPARED: Jan 2, 2000
BILL AMENDED:

SUBJECT: Child care tax credit for individuals.

FISCAL ANALYST: Diane Powers
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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues			(14,600,000)
State Expenditures			
Net Increase (Decrease)			(14,600,000)

Summary of Legislation: This bill provides a refundable child care tax credit against an individual taxpayer's state income tax liability for employment related child care expenses. The credit is equal to the lesser of \$125 per child or 3% of the taxpayer's employment related child care expenses.

Effective Date: January 1, 2001.

Explanation of State Expenditures: There will be some administrative costs for the Department of State Revenue to revise tax forms, instructions and computer programs to implement this new tax credit. These expenses will be covered under its existing budget.

Explanation of State Revenues: This bill provides a refundable tax credit for child care expenses equal to the lesser of 3% of the taxpayer's employment related child care expenses or \$125. This tax credit may be refunded or carry forward and is in addition to any other credits that the taxpayer may be entitled. This tax credit applies to tax years beginning January 1, 2001 and will reduce individual Adjusted Gross Income Tax revenue annually by approximately \$14.6 M beginning in FY 2002.

Based on the Department of Revenue's Individual Income Tax statistics and data from the Internal Revenue Service for Indiana 1997 federal tax returns, it is estimated that there were 116,629 taxpayers who claimed

the federal child care tax credit. There is no data available on the average amount of employment related child care expenses which these taxpayers claim. Therefore the maximum potential impact of this new state child care credit would be \$125 per taxpayers. This credit for employment related child care expenses would reduce Individual Adjusted Gross Income Tax revenue by approximately \$14.6 M annually.

Individual Adjusted Gross Income Tax is deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: The Department of State Revenue; Statistics of Income Bulletin, Spring 1999, Internal Revenue Service.