

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5631-01
Bill No.: HB 2580
Subject: Education, Elementary and Secondary; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: April 21, 2008

Bill Summary: Would allow an income tax deduction for school supplies purchased for home schooling.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning**, and the **Department of Elementary and Secondary Education (DESE)** assume this proposal would have no fiscal impact to their organizations.

DESE officials provided information regarding home school students reported to public school districts. The number of home school students is included in a special education funding allocation process by DESE; reported home school students improves a district's finding allocation. Information reported as of January 1, 2008 indicated that 5,409 students were home schooled in Missouri. However, DESE officials also noted that parents and guardians are not required to report home school status to their local school district and that the number of home school students could be more than 5,409.

Oversight searched for information regarding the cost of home school books and supplies and located a source that sold integrated curriculum packages at a cost which ranged from \$215 for a first grade student to \$470 for a high school senior. The cost of books would therefore range from $(\$215 \times 5,409) = \$1,162,935$ to $(\$470 \times 5,409) = \$2,542,230$. The resulting revenue reduction would range from more than $(\$1,162,935 \text{ textbook cost} \times 4.5\% \text{ average tax rate}) = \$52,332$ to $(\$2,542,230 \times 4.5\% \text{ average tax rate}) = \$114,400$. Oversight assumes that deductions could include supplies in addition to books and that deductions allowed under this proposal could be larger than the amounts calculated. However, other sources indicated that home school families could purchase used text books or use recycled public school textbooks at no cost. Oversight will indicate an unknown cost to the General Revenue Fund for fiscal note purposes.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow a deduction for school supplies creating a potential decrease in revenues. The proposal would create a deduction for school supplies equal to the full amount expended. DOR officials assume their organization would establish procedures for the deduction. DOR officials assume that changes would be required to their forms and processing system, and that Personal Tax would require two Temporary Tax Employees for key entry; one FTE Revenue Processing Technician I for every 19,000 returns to be verified by quality review and one FTE Revenue Processing Technician I per 2,400 pieces of correspondence. DOR officials stated that this proposal could be implemented by adding a line to the MO-A form allowing the additional deduction, with verification on an exception basis.

ASSUMPTION (continued)

DOR officials provided this estimate of the IT cost to implement the proposal.

Officials from the Office of Administration, Information Technology Services Division (ITSD/DOR) assume the IT portion of this request could be accomplished with existing resources; however, if priorities shift, additional FTE/overtime would be needed. ITSD/DOR officials estimated that this proposal could be implemented utilizing one FTE existing CIT III for 1 month for modifications to MINITS and one FTE existing CIT III for 1 month for modifications to Café for a total cost of \$8,372.

DOR provided an estimate of the cost to implement this proposal including two additional FTE and related equipment and expense totaling \$87,747 for FY 2009, \$93,102 for FY 2010, and \$95,895 for FY 2011.

Oversight assumes that this proposal would be implemented with existing resources. If unanticipated costs are incurred or if multiple proposal are implemented which increase the DOR workload, resources could be requested through the budget process.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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GENERAL REVENUE FUND

Revenue reduction - DOR

Deduction for home school costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

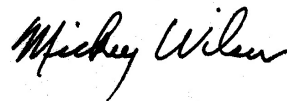
FISCAL DESCRIPTION

This proposal would allow an income tax deduction for school supplies purchased for home schooling.

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

Office of Administration
Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue



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Director
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