

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 857 (Delegate Boteler, *et al.*)
 Ways and Means

Income Tax - Credit for Educational Materials - Home Instruction Program

This bill creates a tax credit against the State income tax for educational materials that are purchased to educate a child in a “home instruction program.” Educational materials include books and supplies, tutoring services, and cooperative education classes. The tax credit may not exceed the lesser of \$300 or the State income tax imposed for the taxable year.

The bill takes effect July 1, 2007 and applies to tax year 2007 and beyond.

Fiscal Summary

State Effect: General fund revenues could decrease by \$4.9 million in FY 2008 due to credits being claimed against the personal income tax. Future year revenues reflect the estimated number of taxpayers eligible for the credit. General fund expenditures would increase by \$34,000 in FY 2008 due to one-time tax form changes and computer expenses.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	(\$4.85)	(\$5.13)	(\$5.41)	(\$5.69)	(\$5.97)
GF Expenditure	.03	0	0	0	0
Net Effect	(\$4.88)	(\$5.13)	(\$5.41)	(\$5.69)	(\$5.97)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No similar State tax credit exists.

Background: Home instruction is provided by parents or legal guardians to a child who is not enrolled in a public or nonpublic school. The State requires that home instruction be supervised. A parent may elect to have the home instruction supervised by the local school system, a nonpublic school, or an education ministry of a bona fide religious organization that is registered with the Maryland State Department of Education to supervise home instruction.

The number of children receiving home instruction in the State has increased from 2,296 in the 1990-1991 school year to 24,329 in the 2005-2006 school year. Children receiving home instruction represent about 3% of total public school enrollment. **Appendix 1** lists the number of children in each county that received home instruction during the 2005-2006 school year.

State Revenues: Tax credits could be earned beginning with tax year 2007. As a result, general fund revenues could decrease by \$4.9 million in fiscal 2008. This estimate is based on the following facts and assumptions:

- 24,329 children in the State received home instruction in the 2005-2006 school year;
- In the 2005-2006 school year there were 1.6 children receiving home instruction per family;
- the number of children receiving home instruction increases by approximately 5.3% annually; and
- taxpayers have sufficient tax liability to claim the entire amount of the credit.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$34,000 to add the tax credit to the personal income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

Additional Information

Prior Introductions: HB 1296 of 2006, an identical bill, received an unfavorable report from the House Ways and Means Committee. Similar bills were introduced in the 2004 and 2005 sessions. HB 1002 of 2005 received an unfavorable report from Ways and

Means. HB 1474 of 2004 was not reported from the House Rules and Executive Nominations Committee.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland State Department of Education, Department of Legislative Services

Fiscal Note History: First Reader - March 15, 2007
ncs/hlb

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Appendix 1
Children Receiving Home Instruction
2005-2006

<u>County</u>	<u>Children</u>
Allegany	220
Anne Arundel	1,975
Baltimore City	1,790
Baltimore	2,968
Calvert	554
Caroline	147
Carroll	1,539
Cecil	1,145
Charles	809
Dorchester	79
Frederick	1,691
Garrett	307
Harford	1,529
Howard	1,447
Kent	80
Montgomery	2,461
Prince George's	3,372
Queen Anne's	291
St. Mary's	367
Somerset	57
Talbot	134
Washington	840
Wicomico	418
Worcester	109
Total	24,329

Source: Maryland State Department of Education