

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1002 (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 such as books and supplies that are purchased to educate a child in a home instruction program. 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, 2005 and applies to tax year 2005 and beyond.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by approximately \$3.8 million in FY 2006 due to credits being claimed against the personal income tax. Future year revenues reflect approximately 4% annual increase in taxpayers claiming the credit. Special fund expenditures would increase by approximately \$44,400 in FY 2006 due to one-time tax form changes and computer expenses.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$3,763,000)	(\$3,913,500)	(\$4,042,700)	(\$4,176,100)	(\$4,280,500)
SF Expenditure	44,400	0	0	0	0
Net Effect	(\$3,807,400)	(\$3,913,500)	(\$4,042,700)	(\$4,176,100)	(\$4,280,500)

*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 instruction that 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 church 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 children in the 1990-1991 school year to 20,676 in the 2002-2003 school year.

**Appendix 1** lists the number of children in each county that received home instruction during the 2002-2003 school year.

**State Revenues:** Tax credits could be earned beginning with tax year 2005. As a result, general fund revenues could decrease by approximately \$3.8 million in fiscal 2006. Future year revenue losses increase by approximately 4% annually. This estimate is based on the following facts and assumptions:

- 20,676 children in the State received home instruction in the 2002-2003 school year;
- according to the U.S. Census Bureau, the average number of children for families with children is 1.8;
- the number of children receiving home instruction increases by approximately 4% 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 \$44,400 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.

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## Additional Information

**Prior Introductions:** HB 1474 of 2004, a similar bill, was not reported from the Rules and Executive Nominations Committee.

**Cross File:** None.

**Information Source(s):** U.S. Census Bureau, Maryland State Department of Education,  
Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2005  
mp/hlb

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**Appendix 1**  
**Children Receiving Home Instruction**  
**2002-2003**

<u>County</u>	<u>Children</u>
Allegany	191
Anne Arundel	1,675
Baltimore City	1,309
Baltimore	2,642
Calvert	449
Caroline	167
Carroll	1,194
Cecil	706
Charles	722
Dorchester	78
Frederick	1,476
Garrett	234
Harford	1,251
Howard	1,113
Kent	79
Montgomery	2,252
Prince George's	3,018
Queen Anne's	247
St. Mary's	658
Somerset	67
Talbot	132
Washington	600
Wicomico	329
Worcester	87
<b>Total</b>	<b>20,676</b>