

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1296
 Ways and Means

(Delegate Boteler, *et al.*)

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, 2006 and applies to tax year 2006 and beyond.

Fiscal Summary

State Effect: General fund revenues could decrease by approximately \$4.4 million in FY 2007 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 approximately \$32,900 in FY 2007 due to one-time tax form changes and computer expenses.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$4,373,000)	(\$4,634,200)	(\$4,895,400)	(\$5,156,700)	(\$5,417,900)
GF Expenditure	32,900	0	0	0	0
Net Effect	(\$4,405,900)	(\$4,634,200)	(\$4,895,400)	(\$5,156,700)	(\$5,417,900)

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 in the 1990-1991 school year to 23,876 in the 2004-2005 school year. **Appendix 1** lists the number of children in each county that received home instruction during the 2004-2005 school year.

State Revenues: Tax credits could be earned beginning with tax year 2006. As a result, general fund revenues could decrease by approximately \$4.4 million in fiscal 2007. This estimate is based on the following facts and assumptions:

- 23,876 children in the State received home instruction in the 2004-2005 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 6% 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 \$32,850 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: Similar bills were introduced in the 2004 and 2005 sessions. HB 1002 of 2005 received an unfavorable report from the House Ways and Means Committee. HB 1474 of 2004 was not reported from the House 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 - March 2, 2006
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Appendix 1
Children Receiving Home Instruction
2004-2005

<u>County</u>	<u>Children</u>
Allegany	199
Anne Arundel	2,140
Baltimore City	1,238
Baltimore	2,979
Calvert	459
Caroline	135
Carroll	1,329
Cecil	1,157
Charles	749
Dorchester	86
Frederick	1,568
Garrett	277
Harford	1,700
Howard	1,224
Kent	76
Montgomery	2,268
Prince George's	3,904
Queen Anne's	257
St. Mary's	673
Somerset	56
Talbot	130
Washington	740
Wicomico	425
Worcester	107
Total	<u>23,876</u>

Source: Maryland State Department of Education