

DEPARTMENT OF TAXATION

2001 Fiscal Impact Statement

1. **Patron** Black

3. **Committee** House Education

4. **Title** Income Tax: Credit For Purchase of
Teacher's Instructional Materials

2. **Bill Number** HB 1628

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual income tax credit for individuals, who teach in grades K through 12 in Virginia public or private schools, equal to the amount of personal expenditures for instructional materials and supplies used in the individual's classroom. The maximum amount of this nonrefundable credit that can be earned in any taxable year would be limited to \$100.

This bill would be effective for taxable years beginning on or after January 1, 2002, however, the effective date of this bill would be delayed until the level of tax relief provided by the Personal Property Tax Relief Act of 1998 reaches 100%.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Costs

While this bill does have costs associated with systems development, these cannot be ascertained at this time. The cost for implementing a **single** piece of legislation cannot be calculated precisely due to economies of scale. The actual cost to implement **all** legislation enacted during a given session will more than likely be less than the sum of the costs attributed to individual bills. Further, the ability to accurately predict costs is complicated because TAX is replacing its current database system. As a result, legislative changes may need to be made to both the current and the future system, depending on the effective date. Therefore, TAX is not providing specific systems costs

for this bill, but will calculate the total for all tax bills once they have been acted upon favorably. Other administrative costs to implement this bill would be minimal.

The revenue loss associated with this bill is unknown, but could be substantial. Based on the most recent statistics available, there are 91,274 public and private elementary and secondary school teachers in Virginia. Because the credit would reimburse teachers dollar-for-dollar for their expenditures, teachers are very likely to use the credit. If all teachers claimed the credit, the revenue loss would total \$9 million annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No

11. Other comments:

General

This bill would allow any individual who teaches in grades K through 12 in a public or private school in the Commonwealth to claim an individual income tax credit for all personal expenditures made during the taxable year for instructional materials and supplies used in such individual's classroom.

The maximum credit an individual could earn in any taxable year would be the individual's qualifying personal expenditures for instructional materials and supplies, up to \$100. The credit would not be refundable. To the extent the credit exceeds the individual's tax liability for the taxable year, the excess credit amount could be carried over for five succeeding taxable years until used. Any credits that are unused at the end of the five-year period would expire. Unused credits could not be carried back.

The Department of Taxation must promulgate regulations as needed to carry out the provisions of this bill.

Other Current Tax Benefit

Under federal law, individuals who have unreimbursed employee expenses may deduct such amounts as an itemized deduction. The amount, however, is limited to the excess of all the allowable expenses that exceed 2% of the individual's federal adjusted gross income. As a conformity state, the allowable federal deductions would flow through on the individual's Virginia return. Consequently, the proposed bill could potentially provide a double benefit to those taxpayers who currently claim a deduction for unreimbursed employee expenses.

cc: Secretary of Finance

Date: 1/15/01/NMS

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