

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** David I. Ramadan

2. **Bill Number** HB 1006

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Income Tax: Individual Tax Credit for Home
School Instruction

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide an individual income tax credit for the amount paid by a parent or legal guardian of a child for home instruction-related materials, including textbooks, workbooks, supplies used in home instruction and correspondence courses or distance learning programs also used in home instruction. The credit would be equal to the amount of the materials, up to \$1,000. The credit could not exceed the tax liability of the individual, but may be carried over for four years or until the total amount of the credit has been taken, whichever is sooner.

This bill would be effective for taxable years beginning on and after January 1, 2012.

6. **Budget amendment necessary:** Yes.

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7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011-12	\$0	0	GF
2012-13	\$39,795	1 PTE	GF
2013-14	\$38,064	1 PTE	GF
2014-15	\$39,062	1 PTE	GF
2015-16	\$40,090	1 PTE	GF
2016-17	\$41,148	1 PTE	GF
2017-18	\$42,239	1 PTE	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") believes it could implement this bill as part of its routine annual changes to systems and forms, but is requesting funding in the amount of \$39,795 in FY 2013, \$38,064 in FY 2014, \$39,062 in FY 2015, \$40,090 in FY

2016, \$41,148 in FY 2017 and \$42,239 in FY 2018, and each subsequent year thereafter, for hiring one additional part-time employee necessary to review, verify, and process the anticipated volume of returns claiming the credit. The Department may revise these administrative costs later in the session after analyzing all state tax legislation.

Revenue Impact

This bill would have an unknown, but potentially significant, negative impact on General Fund revenue. According to the 2010-2011 report on home-schooled students by the Virginia Department of Education, there are 24,682 such students in Virginia. If parents or legal guardians of all these students were able to claim the maximum allowed credit of \$1,000, the revenue loss would total \$24,682,000. To the extent that actual expenses are less than the maximum \$1,000 allowed, total credits and the revenue loss would be less.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Other States

Based on an analysis of other states, the Department has identified at least two states that offer individual tax incentives for homeschooling— Illinois and Louisiana.

Illinois allows parents to receive a tax credit equal to 25% of any amount they expend in excess of \$250 for tuition, book fees, and lab fees, but not to exceed \$500 annually. This credit is available to any public or private school student. Under Illinois law, homeschooled students have the same legal status as private school students.

Louisiana allows taxpayers to deduct 50% of any educational expenses paid for the homeschooling of their dependent children, up to \$5,000 per child or the total taxable income of the individual, whichever is less. For the purposes of this section, “educational expenses” is defined to include amounts expended for the purchase of textbooks and curricula necessary for the home-schooling of each child.

In addition to these two states, the Department identified seven other states that provide individual and corporate tax credits for contributions made to a scholarship tuition organization – Arizona, Iowa, Florida, Minnesota, Pennsylvania, and Rhode Island. These tuition tax credits are aimed at helping low income families, combating poor quality of public education, and helping students with learning disabilities. However, not all of these tax incentives are meant to specifically benefit homeschool families.

Homeschooling Virginia

Under Virginia law, a parent may (1) send his child to public school; (2) send his child to private, denominational, or parochial school; (3) have his child taught by a tutor or teacher

with qualifications approved by the division superintendent; or (4) provide for home education. A child may also be excused from compulsory education because of a religious exemption under Virginia law.

A parent may teach at home if any one of the following conditions is met: (i) the parent has a high school diploma; (ii) is a certified teacher; (iii) provides a program of study or curriculum which may be delivered through a correspondence course or distance learning program or in any other manner; or (iv) provides evidence that he is able to provide an adequate education for the child.

A parent who satisfies one of these requirements and chooses to homeschool must notify in writing the local school division superintendent or his designee.

Virginia law requires that a parent submit evidence of academic achievement after each year of homeschooling. This evidence may be in the form of a standardized achievement test or an evaluation or assessment. The results of the achievement test or assessment must be submitted to the division superintendent by August 1 following each year of homeschooling.

Proposal

This bill would provide an individual income tax credit for the amount paid by a parent or legal guardian of a child for home instruction-related materials, including textbooks, workbooks, supplies used in home instruction and correspondence courses or distance learning programs also used in home instruction. The credit would be equal to the amount of the materials, up to \$1,000. The credit could not exceed the tax liability of the individual, but may be carried over for four years or until the total amount of the credit has been taken, whichever is sooner.

In order to claim the tax credit, a parent or legal guardian would be required to attach to his income tax return the name of the child receiving home instruction for the year and the school division that was notified of the home school instruction.

This bill would also require the Tax Commissioner to develop guidelines, exempt from the provisions of the Administrative Process Act, to implement this tax credit.

This bill would be effective for taxable years beginning on and after January 1, 2012.

Other Bills

House Bill 321 would allow businesses to claim a credit against the corporate income tax beginning 2012 for contributions to approved scholarship foundations that provide scholarships to students in the Commonwealth with the intent to reduce state expenditures required for K-12 education. The total amount of credits would be capped at \$25 million.

Senate Bill 131 is similar to House Bill 321, but would effective for taxable years beginning 2013.

Senate Bill 241 would be similar to House Bill 321 and Senate Bill 131, except that it would be capped at \$50 million, have a higher credit percentage, and be for low-income families.

cc : Secretary of Finance

Date: 1/28/2012 tlg
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