

# DEPARTMENT OF TAXATION

## 2014 Fiscal Impact Statement

1. **Patron** David I. Ramadan

3. **Committee** House Finance

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

2. **Bill Number** HB 239

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would provide a tax credit for the amounts paid by a parent or legal guardian during the taxable year for a child's home instruction-related materials and services used in the home instruction. The amount of the credit per child would equal the lesser of \$500 or the amounts actually paid in the taxable year for such costs of the child. In no case, however, would the credit allowed to the parent or legal guardian exceed \$2,000 for the taxable year. Any unused credit amounts would be carried forward for the next four taxable 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 or after January 1, 2014.

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

Page 1, Revenue Estimates

ITEM(S): 270, Department of Taxation

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

#### 7a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2013-14	\$0	0	GF
2014-15	\$39,795	1 P14	GF
2015-16	\$38,064	1 P14	GF
2016-17	\$39,062	1 P14	GF
2017-18	\$40,090	1 P14	GF
2018-19	\$41,148	1 P14	GF
2019-20	\$42,239	1 P14	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 it is requesting funding in the amounts of \$39,795 in Fiscal Year 2015, \$38,064 in Fiscal Year 2016, \$39,062 in Fiscal Year 2017, \$40,090 in Fiscal Year 2018, \$41,148 in Fiscal Year 2019, \$42,239 in Fiscal Year 2020, and each subsequent year thereafter, for the hiring of one additional part-time employee to review, verify, and process the anticipated volume of returns claiming the credit. The Department may revise its administrative costs later in the session after analyzing all state tax legislation.

### Revenue Impact

This bill would result in an unknown, but potentially significant, negative impact on General Fund revenue. According to a 2012-2013 report on home-schooled students by the Virginia Department of Education, there are 29,886 such students in Virginia. If the parents and legal guardians of all home-schooled students were eligible to claim a maximum credit of \$500 per child, the revenue loss would total \$14.9 million per year. To the extent that actual expenses were less than the maximum \$500 allowed per child, the annual 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 other states that offer individual income tax incentives for homeschooling—Illinois and Louisiana.

Illinois allows parents or legal guardians of one or more qualifying pupils to claim an income tax credit for any qualified education expenses incurred during the taxable year. The amount of the credit is equal to 25 percent of such qualifying expenses, not to exceed \$500 per year. For purposes of this credit, “qualified education expenses” include tuition, book fees, and lab fees in excess of \$250. “Qualifying pupils” are defined as full-time students enrolled in public or private elementary or secondary schools from kindergarten through twelfth grade who are residents of Illinois and under 21 years of age at the close of the school year for which a credit is sought. Under Illinois law, homeschooled students have the same legal status as private school students.

Louisiana allows taxpayers to deduct 50 percent of any qualified educational expenses paid for the homeschooling of their dependent children, up to \$5,000 per child or the taxpayer’s total taxable income, whichever is less. For purposes of this deduction,

“qualified educational expenses” are defined to include amounts expended for the purchase of textbooks and curricula necessary for the homeschooling of each child.

### Current Law

Under Virginia law, a parent may: (i) send his or her child to a public school, (ii) send his or her child to a private school; (iii) provide his or her child with home instruction; (iv) have his or her child taught by a tutor or a teacher who meets the teacher qualifications prescribed by the Board of Education; or (v) have his or her child excused from compulsory education because of a religious exemption.

A parent may home instruct a child if any one of the following conditions is met: (i) the teaching parent holds a high school diploma; (ii) the teaching parent meets the qualifications for a teacher prescribed by the Board of Education; (iii) the teaching parent 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) the teaching parent provides evidence that the parent is able to provide an adequate education for the child.

Any parent who elects to provide home instruction to a child must annually notify in writing the local school division superintendent or his designee.

Virginia law further requires that a parent submit evidence of academic achievement after each year of home instruction. This evidence must 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 homes instruction.

### Proposed Legislation

This bill would provide a tax credit for the amounts paid by a parent or legal guardian during the taxable year for a child's home instruction-related materials and services used in the home instruction. The amount of the credit per child would equal the lesser of \$500 or the amounts actually paid in the taxable year for such costs of the child. In no case, however, would the credit allowed to the parent or legal guardian exceed \$2,000 for the taxable year. The credit would be nonrefundable; however, any unused credit amounts may be carried forward for the next four taxable 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 each child receiving home instruction for the year and the school division that was notified of the home school instruction.

The Tax Commissioner would be required to develop guidelines for implementing this bill. Such guidelines would be exempt from the Administrative Process Act.

This bill would be effective for taxable years beginning on or after January 1, 2014.

### Similar Legislation

**House Bill 950** would provide a tax credit to the parent or legal guardian of a child receiving home instruction or a child attending an accredited private school equal to the lesser of (i) the amount actually paid for instruction-related materials, courses or programs, or tuition or (ii) half of average state spending per student per year based on the most recent published Annual School Report.

cc : Secretary of Finance

Date: 1/19/2014 mjm  
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