

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/11/2021**

Bill/Resolution No.: HB 1281

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(17,000,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1281 creates a new income tax credit for taxpayers with dependents attending nonpublic or home schools.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1281 creates a new income tax credit for individuals with dependents attending nonpublic or home schools. The credit is \$2,000 per student per year. The credit is allowed in the tax year in which the school year ends. The credit is reduced by 50% if the dependent attended less than the full school year but at least half the school year. If the credit exceeds the taxpayer's tax liability in the tax year in which the credit is first allowed, the excess may be carried over and used in subsequent tax years for up to three years.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The total enrollment in nonpublic and home schools in grades k through 12 is approximately 9,600 students. Therefore, the total possible credit is \$19.2 million per year, or \$38.4 million per biennium. The average tax liability for individual taxpayers is significantly lower than \$2000 per year and will set the ceiling on the fiscal effect for each tax year. If enacted, HB 1281 is expected to reduce state general fund revenues by an estimated -\$17 million for the 2021-23 biennium. In the first biennium after enactment, this estimate could be overstated due to families with two or more children home schooled or attending nonpublic schools. However, the carryforward provisions of the bill would allow for the potential of the entire \$38.4 million generated each biennium to eventually be claimed. (Note: this fiscal note assumes home schooling does not include pandemic-related distance learning.)

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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