

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	HB 1160
Version:	CS
Request Number:	8356
Author:	Rep. Worthen
Date:	3/13/2019
Impact:	New Credit:
	\$2,500 Maximum Per Child
	Probable Significant Revenue Decrease

Research Analysis

The committee substitute for HB1160 provides an education expenses tax credit for any taxpayer that incurs qualified expenses for a child dependent. The credit may be claimed beginning tax year 2021 and is up to \$2500 per family for education expenses such as:

- Tuition and fees for concurrent enrollment;
- Tuition and other instructional fees charged by a qualified school;
- Costs associated with activities at a qualified school, which can be fees, clothing and equipment required to participate in athletic teams, musical groups, clubs or similar school activities;
- Tuition and other instructional fees charges for tutoring, private instruction or remedial education services;
- Costs associated with the provision of instruction by other means such as computer equipment, software, online instruction, cooperative educational programs, textbooks, workbooks, curricula and other written materials used primarily for academic instruction; and
- Costs associated with activities for a child that is homeschooled;

To claim the credit, a taxpayer may be required by the Oklahoma Tax Commission to submit receipts and other financial documents to confirm the amount of allowable credit. OTC is also directed to monitor the total amount of credits claimed and report usage to the cabinet secretary with applicable authority. The cabinet secretary with applicable authority is then required to present a report to the chair of the House and Senate budget committees on the projected usage for the credit for the current and future tax years.

Prepared By: Quyen Do

Fiscal Analysis

HB 1160 proposes to enact a new income tax credit based on educational expenses incurred. This is a per child tax credit capped at \$2,500 per child who is eligible to be enrolled in a public school and is effective for tax year 2019 and subsequent tax years.

Under this proposal any taxpayer may claim an income tax credit for qualifying educational expenses¹ for a child who qualifies as the taxpayer's dependent for federal tax purposes. Qualifying education expenses include the following:

- tuition and fees for concurrent enrollment
- tuition and other instructional fees charged by a qualified school
- costs associated with activities at a qualified school², including the cost of fees, clothing and equipment required to participate in athletic teams, musical groups, clubs or similar school activities³
- tuition and other instructional fees charged for tutoring, private instruction or remedial education services for the purposes of academic instruction and not provided by a close relative
- costs associated with the provision of instruction by other means in prekindergarten through grade twelve directed by the parent or guardian including the cost of computer equipment, software, online instruction, cooperative educational programs, textbooks, workbooks, curricula and other written materials used primarily for academic instruction

If the amount of the allowable credit exceeds the maximum allowable credit, such excess may be carried over, in order, to each of the two (2) subsequent taxable years.

Data from the Oklahoma State Board of Education shows that approximately 695,000 children were enrolled in public school in Oklahoma⁴. Data from the National Center for Education Statistics⁵ indicate that private school enrollment nationwide was 10.3% of total school enrollment. Based on this, it is estimated that approximately 765,000 children⁶ could have qualifying educational expenses paid on their behalf by a taxpayer who could claim them as a dependent for federal tax purposes.

If every taxpayer who has a qualifying child makes qualifying educational expenses of \$2,500 per child, the estimated impact would be a potential revenue decrease of \$1.9 billion. It is unknown how many taxpayers will qualify for this credit and for how much. This measure is effective for tax year 2019. No change to withholding or estimated tax is expected; therefore the full impact should occur in FY20 when the 2019 income tax returns are filed.

¹ Amounts used to compute the credit may not be used as an itemized deduction when computing Oklahoma taxable income.

² Qualified school is either a public elementary or secondary school or a private educational program that can be used to satisfy the state's compulsory school attendance requirements.

³ Costs associated with activities including the cost of fees, clothing and equipment required to participate in athletic teams, musical groups, clubs or similar school activities are eligible for a student being educated by other means in prekindergarten through grade twelve directed by the parent or guardian

⁴ Oklahoma State Department of Education, <https://sde.ok.gov/documents/2019-01-25/2018-19-site-enrollment-genderethnicity>

⁵ Digest of Education Statistics - Private elementary and secondary school enrollment and private enrollment as a percentage of total enrollment in public and private schools, by region and grade level: Selected years, fall 1995 through fall 2015. https://nces.ed.gov/programs/digest/d17/tables/dt17_205.10.asp?current=yes

⁶ This does not include any children who are home schooled and potentially eligible to be claimed for this credit purposes.

Prepared By: Mark Tygret

Other Considerations

None.

