

Fiscal Note

BILL # SB 1038

TITLE: tax credit; property tax; tuition

SPONSOR: Rogers

STATUS: As Introduced

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Description

SB 1038 would establish an individual income tax credit for homeowners with dependents that attend private schools. The credit would be equal to the taxpayer's primary and secondary K-12 school district property taxes or tuition expenses, whichever is less. The credit, which is non-refundable, would become effective in tax year (TY) 2023.

Estimated Impact

The JLBC Staff estimates that SB 1038 would result in an annual General Fund revenue loss of \$(32) million, beginning in FY 2024.

The Department of Revenue has not yet provided an estimate of the impact of the bill.

Analysis

SB 1038 establishes an individual income tax credit in the amount of K-12 school district property taxes or tuition expenses, whichever is less. The Education Data Initiative lists the average Arizona private school tuition as \$12,650.

In contrast, based on data provided by the Department of Revenue, we estimate that Arizona homeowners pay an average of approximately \$800 in primary and secondary K-12 property taxes each year. As a result, we assume that each household with a private school student would receive a maximum income tax credit of \$800.

According to the National Center for Education Statistics, there were 59,171 students in Arizona private schools in the 2019-2020 school year. However, households with multiple children attending private schools may be counted multiple times in this figure.

According to Statista, 41.9% of children under 18 have no siblings, 37.9% have 1 sibling, and 20.2% have 2 or more siblings. As a result, we estimate there are roughly 40,000 unique households in Arizona with children that attend private schools. If each unique household receives an income tax credit of \$800 per year, the annual General Fund revenue loss would be approximately \$(32) million annually, beginning in FY 2024.

Local Government Impact

Beginning in FY 2024, incorporated cities and towns receive 18% of the individual income tax from two years prior. We estimate that SB 1038 would result in an annual revenue loss to local governments of \$(5.8) million, beginning in FY 2026.

1/27/22

