

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 6863

BILL NUMBER: SB 315

NOTE PREPARED: Dec 30, 2020

BILL AMENDED:

SUBJECT: State Earned Income Tax Credit.

FIRST AUTHOR: Sen. Yoder

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: The bill increases the amount of the state earned income tax credit (EITC). The bill requires: (1) the Department of State Revenue (DOR) to compile a notice with information concerning the federal and state earned income tax credits; and (2) the Office of the Secretary of Family and Social Services (FSSA) to provide annually the written notice concerning the federal and state earned income tax credits to certain individuals who receive assistance.

Effective Date: January 1, 2021 (retroactive).

Explanation of State Expenditures: The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes made by the bill. The bill also requires the DOR to prepare information regarding both the state and federal earned income tax credit. This information will be annually distributed by the FSSA to people receiving assistance and posted online. The agencies' current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: The bill increases the Indiana EITC amount from 9% to 18% of the federal EITC as it was computed under federal law before being amended in 2010. The credit modification is effective beginning in tax year 2021, so it will impact state General Fund revenue beginning in FY 2022. The bill is estimated to reduce state General Fund revenue between \$91.2 M and \$94.4 M annually beginning in FY 2022.

Additional Information - An individual Adjusted Gross Income taxpayer is eligible for the Indiana EITC if they are eligible for the federal EITC under Section 32 of the Internal Revenue Code as it existed before being amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010

(P.L. 11-312). The credit currently equals 9% of the federal EITC as the federal credit was computed before being amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 11-312). The credit amount depends on the number of qualifying children and the household modified adjusted gross income. The maximum credit for tax year 2020 is \$533. The credit is refundable.

The revenue loss associated with the bill was estimated using a combination of data from the DOR and the Internal Revenue Service. The lower bound estimate assumes the amount of EITC will continue to decrease at the same rate as the federal EITC claimed by Indiana taxpayers between tax years 2014 and 2018. The upper bound is based on actual claims reported on Indiana Individual Income Tax returns.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Family and Social Services Administration.

Local Agencies Affected:

Information Sources: LSA Income Tax database; Internal Revenue Service, Statistics of Income, *Table 2. Individual Income and Tax Data by State: Indiana.*

Fiscal Analyst: Olivia Smith, 317-232-9869.