

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER 1269

SENATE BILL NUMBER 157

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE An ACT relating to an earned income tax credit.

SPONSOR Senator McGarvey

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			(\$80,000,000)	(\$100,000,000)
EXPENDITURES				
NET EFFECT			(\$80,000,000)	(\$100,000,000)

() indicates a decrease/negative

MEASURE'S PURPOSE: If enacted, the proposal would create an earned income tax credit for income tax purposes.

PROVISIONS/MECHANICS: A new section of KRS Chapter 141 is created to allow the new income tax credit. For taxable years beginning after December 31, 2016, taxpayers who are subject to the individual income tax and who receive a federal earned income tax credit are allowed a refundable Kentucky earned income tax credit. The Kentucky earned income tax credit would be equal to 10% of the federal earned income tax credit.

FISCAL EXPLANATION: The provision applies to taxable years beginning after December 31, 2016. The first refunds related to the new tax credit would not occur until the 2017 returns are filed in early 2018. The latest data from federal income tax returns filed with a Kentucky address indicate that approximately 425,000 returns are filed claiming the federal earned income tax credit. The federal tax credit on those returns totals approximately \$980,000,000. A Kentucky earned income tax credit equal to 10% of the federal credit would equal approximately \$100,000,000 at full implementation, when adjusted for future taxable years.

DATA SOURCE(S): SOI data from the IRS, LRC staff

PREPARER: Jennifer Hays **NOTE NUMBER:** 81 **REVIEW:** JRS **DATE:** 2/11/2016

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