

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2024 REGULAR SESSION**

MEASURE

2024 BR NUMBER 1902

HOUSE BILL NUMBER 564

TITLE AN ACT relating to a tax credit for qualified education expenses.

SPONSOR Representative William Lawrence

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED:

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2023-2024	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			(\$104,100,000)	
EXPENDITURES				
NET EFFECT			(\$104,100,000)	

() indicates a decrease/negative

PURPOSE OF MEASURE: House Bill 564 proposes a refundable individual income tax credit equal to the amount of qualified education expenses, not to exceed \$150 per taxable year per dependent. This tax credit would be effective for taxable years beginning on or after January 1, 2025, but before January 1, 2029.

FISCAL EXPLANATION: Information from the Kentucky Department of Education and the National Center for Education Statistics' Private School Universe Survey was used in determining an estimated fiscal impact of this proposal. Using the current number of students enrolled in Kentucky public and private schools, it is estimated that there will be 694,000 students enrolled in fiscal year 2026. Due to lack of data, homeschooled students, although eligible for this tax credit, are not included in this estimated fiscal impact. Based on the school supply purchase data from the National Retail Federation (NRF), it can be assumed taxpayers will qualify for the maximum tax credit of \$150 per dependent. Based on these estimates it can be determined that the negative fiscal impact of this legislation will be approximately \$104.1 million in FY 2026.

DATA SOURCE(S): LRC Staff

PREPARER: Sarah Watts **NOTE NUMBER:** 104 **REVIEW:** JH **DATE:** 3/5/2024