

# Fiscal Analysis

## INCOME TAX; EDUCATOR'S CREDIT FOR OUT-OF-POCKET EXPENSES



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**Bill/Sponsor**

**HOUSE BILL 4261 As Reported**, Rep. Paul Condino  
**HOUSE BILL 4525 As Reported**, Rep. Matthew M. Milosch

**House Committee**

Tax Policy

**Analysis****Summary**

House Bills 4261 and 4525 would amend the Income Tax Act to provide a non-refundable credit not to exceed \$100 per taxpayer if the taxpayer is a teacher or administrator at an elementary public school, private school, or public school academy (HB4525) or a secondary public school, private school, or public school academy (HB4261). The taxpayer may claim a credit equal to 50% of the cost paid for classroom supplies used for educational purposes.

The two bills are tie-barred to each other.

**Fiscal Impact**

There are approximately 90,000 elementary and secondary teachers in Michigan in public schools and public school academies. In addition, there are about 20,000 special needs and vocational teachers that might qualify, as well as roughly 5,500 administrators. Finally, there are about 15,000 private school educators

Survey data from Market Data Retrieval suggest that on average, teachers spend about \$400 per year out-of-pocket in supplies for their classrooms. Thus, most, if not all, teachers would qualify for the full credit.

The combination of the two bills would reduce income tax revenue by as much or more than \$14 million at the upper end. However, since the credits are non-refundable, it is possible that the full amount may not be taken in some instances. Thus, the likely fiscal impact should be about \$11 to \$12 million.

**Analyst(s)**

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**FLOOR ANALYSIS - 2/13/04**

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