

FISCAL IMPLICATIONS

How many taxpayers will take advantage of the credit is unknown. Thus, TRD notes that the fiscal impact estimate is rough. They indicate that there are 140 thousand taxpayers with dependents who had enough tax liability to take advantage of the credit. They note that if all 140 thousand taxpayers made contributions sufficient to claim the full credit, the cost would be about \$30 million. This implies an average credit of \$214. They phase-in participation, assuming about a quarter of the population participates in the FY05.

ADMINISTRATIVE IMPLICATIONS

TRD reports modest administrative implications that can be absorbed with existing resources.

SUBSTANTIVE ISSUES

TRD notes that since this is a credit, where taxpayers get one dollar off their taxes for every dollar they contribute, the incentive to participate is large. They suggest that converting the credit to a deduction or partial credit, say 50 cents for each dollar contributed, would have the effect of reducing the cost to the general fund since the cost would be shared between the state and the taxpayer.

BT/lg