



150th GENERAL ASSEMBLY
FISCAL NOTE

BILL: HOUSE BILL NO. 49
SPONSOR: Representative Baumbach
DESCRIPTION: AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO EARNED INCOME TAX CREDIT.

Assumptions:

1. This Bill would become effective for tax years beginning after December 31, 2019 (Tax Year 2020, Fiscal Year 2021).
2. This Bill changes the State's Earned Income Tax Credit (EITC) from a credit solely applied against tax payer's State tax liability (non-refundable) to a refundable credit, whereby if the amount of the credit is greater than a tax payer's total tax liability, a refund is issued. This Bill also permanently reduces the proportion of the state tax credit from its current level, 20% of the Federal EITC credit amount, to 5.9%, beginning in January 1, 2020.
3. The Department of Finance estimated the fiscal impact of this Bill using actual Delaware personal income tax return data based on Federal tax returns for tax year 2016. Based on this analysis, the refundable EITC would reduce net tax liability (provide refunds) for roughly 44,600 households. The Bill's reduction of the allowable proportion of Federal EITC from 20% to 5.9% would result in an increase in net tax liability for approximately 31,200 taxpayers.
4. Fiscal Years 2022 and 2023 assume EITC grows 3.0% annually. Actual growth may increase or decrease estimated revenue losses.

Estimated Revenue Loss:

Fiscal Year 2020 (Tax Year 2019): \$0

Fiscal Year 2021 (Tax Year 2020): \$136,000

Fiscal Year 2022 (Tax Year 2021): \$140,100

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Office of the Controller General