150th GENERAL ASSEMBLY
FISCAL NOTE
REVISED

BILL:	**HOUSE SUBSTITUTE NO. 1 FOR HOUSE BILL NO. 80**
SPONSOR:	**Representative Baumbach**
DESCRIPTION:	**AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO TAXES ON PERSONAL INCOME.**

Assumptions:

1. This Act becomes effective upon signature by the Governor.
2. Upon signature, this Act takes effect on the latter of the following:
   a. The Division of Revenue has implemented the personal income tax release of the Integrated Revenue Administration System; or
   b. The Secretary of Finance provides a written notice to the Registrar of Regulations that the Division of Revenue has implemented the personal income tax release of the Integrated Revenue Administration System.
3. This Act modifies Delaware's Earned Income Tax Credit (EITC) to allow recipients to choose the most beneficial of the following amounts when applied against their Delaware Personal Income Taxes (currently, only option a. is available):
   a. A non-refundable EITC of 20% of the corresponding federal earned income tax credit; or
   b. A refundable EITC of 4.5% of the corresponding federal earned income tax credit.
4. Using Tax Year 2016 data, there were 75,740 Delaware households who filed for the federal earned income tax credit. 59,700 of those households filed a Delaware return and reduced their tax liability using the non-refundable Delaware EITC. Assuming all 16,040 federal-only filers will also file for the refundable Delaware EITC in addition to the 26,600 Delaware households who would see greater benefit from the refundable Delaware EITC, there are a total of 42,640 households who will likely see greater benefits upon implementation of this Act.
5. The 16,040 federal filers who apply for the refundable EITC will receive an average refund of $50 each (16,040 x $50 = $802,000). The 26,600 Delaware households who apply for the refundable EITC will receive an average refund of $121 each (26,600 x $121 = $3,218,600).
6. The personal income tax release of the Integrated Revenue Administration System is scheduled for implementation in the third quarter of 2021.
7. The Department of Finance's Division of Revenue will require additional staff support to implement the requirements of this Act. The Division of Revenue anticipates the need for three additional casual/seasonal or contractual auditors to monitor the refundable EITC. The cost of three additional auditors for 25 20-hour work weeks is estimated at $20,000 annually.
8. Costs of the refundable EITC are assumed to increase at a rate of 3% annually. Costs of the additional staffing needs for the Division of Revenue are assumed to increase at a rate of 2% annually.

Cost:

	State Costs	**General Fund Revenue Loss**
Fiscal Year 2021:	$0	$0
Fiscal Year 2022:	$20,400	$4,508,909
Fiscal Year 2023:	$20,808	$4,644,176

Prepared by Ruth Ann Jones
Office of the Controller General