



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 1259    PRINTER'S NO. 1480    PRIME SPONSOR: T. Davis

### COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	\$0	\$97,200,000

### SUMMARY:

House Bill 1259, Printer's Number 1480 would expand the Child and Dependent Care Enhancement Tax Credit.

### ANALYSIS:

This bill would amend the Tax Reform Code of 1971 to increase the credit amount Pennsylvania taxpayers would receive under the Child and Dependent Care Enhancement Tax Credit incrementally beginning in tax year 2023. Specifically:

- For tax year 2023, taxpayers could be eligible for a credit equal to 30 percent of either 1) the actual amount of dependent care expenses incurred and claimed on the Federal tax credit or 2) \$3,000 for one qualifying dependent or \$6,000 for multiple qualifying dependents, whichever is less;
- For tax year 2024, taxpayers could be eligible for a credit equal to 35 percent of either 1) the actual amount of dependent care expenses incurred and claimed on the Federal tax credit or 2) \$3,500 for one qualifying dependent or \$7,000 for multiple qualifying dependents, whichever is less;
- For tax year 2025, taxpayers could be eligible for a credit equal to 40 percent of either 1) the actual amount of dependent care expenses incurred and claimed on the Federal tax credit or 2) \$4,000 for one qualifying dependent or \$8,000 for multiple qualifying dependents, whichever is less;
- For tax year 2026, taxpayers could be eligible for a credit equal to 45 percent of either 1) the actual amount of dependent care expenses incurred and claimed on the Federal tax credit or 2) \$4,500 for one qualifying dependent or \$9,000 for multiple qualifying dependents, whichever is less; and
- For tax year 2027, and each taxable year thereafter, taxpayers could be eligible for a credit equal to 50 percent of either 1) the actual amount of dependent care expenses incurred and claimed on the Federal tax credit or 2) \$5,000 for one qualifying dependent or \$10,000 for multiple qualifying dependents, whichever is less.

The bill would also exclude amounts that are received by an employee from an employer for dependent care assistance that would currently be excluded from gross income under federal tax provisions from the state Personal Income Tax.

This legislation would take effect 60 days upon enactment.

**FISCAL IMPACT:**

The legislation would reduce General Fund revenues due to the reduction in Personal Income Tax liability for Pennsylvania taxpayers who are eligible to claim the Child and Dependent Care Enhancement Tax Credit under the expanded provisions and the exclusion of employer-provided dependent care assistance from income under the Personal Income Tax. According to the Department of Revenue, the cost of this tax credit expansion and the employer-provided dependent care assistance tax exclusion is estimated at \$97.5 million in 2023/24.

<b>Department of Revenue Fiscal Impact Estimates for HB 1259: 2023/24 - 2027/28</b>					
<b>(\$ in millions)</b>					
	<i>2023/24</i>	<i>2024/25</i>	<i>2025/26</i>	<i>2026/27</i>	<i>2027/28</i>
Estimated Fiscal Impact	-\$97.5	-\$179.6	-\$232.4	-\$290.7	-\$354.6

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**DATE:** June 12, 2023

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*