

Fiscal Note

BILL # HB 2693

TITLE: tax credit; charitable organizations; adjustment

SPONSOR: Toma

STATUS: As Introduced

PREPARED BY: Hans Olofsson

Description

HB 2693 would annually adjust for inflation the credit cap for cash contributions to Qualifying Charitable Organizations (QCO) and Qualifying Foster Care Organizations (QFCO), beginning in TY 2023. Under current law, the QCO credit cap is \$400 for single and head of household filers and \$800 for married couples filing jointly. The QFCO credit cap is \$500 for single and head of household filers and \$1,000 for married couples filing jointly.

Estimated Impact

The bill is estimated to reduce General Fund revenues by \$(1.0) million annually, beginning in FY 2024.

As of publication, the Department of Revenue (DOR) has not yet provided an estimate of HB 2693.

Analysis

According to the U.S. Bureau of Labor Statistics, the metropolitan Phoenix Consumer Price Index (CPI) has had an annual average increase of 3.3% over the past 5 years. Applying this percentage to the current maximum credit amounts and raising them to the nearest whole dollar, as required under the bill, we estimate that the new credits caps in TY 2023 would be \$414/\$828 for the QCO credit and \$517/\$1,034 for the QFCO credit.

Since we cannot determine in advance to what extent the higher, inflation-adjusted credit caps under the bill would incentivize people to increase their donations to QCOs and QFCOs over and above the amounts under current law, we have made certain simplifying assumptions, as outlined below. First, we assumed that those individuals who typically claim the maximum allowable amount of the credit will continue to do so under the bill's higher credit caps. Second, for the purpose of this analysis, we assumed that on average 15% of QCO claimants take the maximum credit compared to 20% for the QFCO credit. Based on these simplifying assumptions, the bill could have an annual General Fund cost of approximately \$(1.0) million, beginning in FY 2024, of which \$748,000 would be attributable to the QCO credit [= (\$828 - \$800) x 146,515 married QCO claimants x 15% + (\$414 - \$400) x 62,792 other QCO claimants x 15%] and the remaining \$252,000 to the QFCO credit [= (\$1,034 - \$1,000) x 30,535 married QFCO claimants x 20% + (\$517 - \$500) x 13,087 other QFCO claimants x 20%].

Local Government Impact

Beginning in FY 2024, incorporated cities and towns will receive 18% of individual and corporate income tax collections from 2 years prior from the Urban Revenue Sharing Fund (URSF) established by A.R.S. § 43-206. Therefore, the bill would decrease overall URSF distributions to cities and towns by an estimated \$(180,000), beginning in FY 2026.

2/14/22

