

HOUSE RESEARCH

Bill Summary

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Subject: K-12 education credit increased and adjusted for inflation

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Overview

Increases the maximum K-12 education expense credit from \$1,000 to \$1,500 per child, increases the income at which the credit begins to phase out from \$33,500 to \$50,000, and decreases the rate of the phaseout. Adjusts the income level at which the credit begins to phase out annually for inflation, beginning in tax year 2016.

Background. Under current law, the maximum education credit is \$1,000 per child and is phased out for families with household incomes over \$33,500. The credit is fully phased out when income reaches \$37,500 for families with one or two children, and the maximum income increases by \$2,000 for each additional child. Household income is a broad measure of income that includes most taxable and nontaxable income. The income level at which the credit begins to phase out is not adjusted for inflation.

Section

- 1 K-12 education credit.** Increases the maximum K-12 education expense credit from \$1,000 to \$1,500 per child. Increases the income at which the credit begins to phase out from \$33,500 to \$50,000 and decreases the rate of phaseout so that the credit would be fully phased out when income reached \$65,000 for families with one child and would extend by an additional \$15,000 for each additional child.

Effective date: tax year 2015.

Section

- 2** **Inflation adjustment.** Provides for the income threshold at which the K-12 education credit begins to phase out to be adjusted annually for inflation, beginning in tax year 2016.