



FISCAL NOTE

House Bill 129

Committee: Finance and Taxation Education Sponsor: Representative Danny Garrett

Analyst: John Friedenreich Date: 03/05/2024

House Bill 129 as passed the House of Representatives would establish the non-reverting CHOOSE Act Fund (the Fund) in the State Treasury to fund the refundable income tax credits to parents of eligible students to offset the cost of certain educational expenses, beginning with the 2025-2026 school year and subject to the availability of funding. However, this bill would limit the accumulated balance in this fund to no more than \$500 million and would require any excess funds to revert to the Education Trust Fund (ETF). This bill provides that the amount of the refundable income tax credit shall be the lesser of 1) the actual cost of the qualifying educational expenses of a participating student or 2):

- i. \$7,000, for an eligible student enrolled in a participating school; or
- ii. \$2,000 for an eligible student not attending a participating school, not to exceed \$4,000 in aggregate of all credits awarded to a parent.

Beginning with fiscal year 2026, this bill would require a minimum annual appropriation of \$100 million to the Fund from the ETF, presumably, which would fund 14,285 income tax credits at the maximum credit amount of \$7,000. This bill would also provide legislative intent to increase the legislative appropriation in future years, if the Commissioner of Revenue certifies the need for additional funding based on expenditures of at least 90% of prior year funds. This bill would increase the obligations of the Fund by an estimated \$65 million annually for each 1% of school-age students whose parents receive the maximum credit amount. However, this bill would correspondingly decrease the obligations of the Foundation Program, funded from the Education Trust Fund, by approximately \$6,400 annually for each student whose parent receives a credit for attending a non-public participating school, who otherwise would have attended a public K-12 school.



Finally, this bill would increase the administrative and financial obligations of the Alabama Department of Revenue (ADOR) by an undetermined amount to adopt rules and administer the provisions of this bill.