

# Income Tax Credit for Home-schooling Families

*A Libertas Institute Policy Analysis*

Sponsor: Representative David Lifferth



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## **Introduction**

The Utah Constitution requires 100% of the state income tax to be used as revenue for government education services—“public” and “higher” education.

Families who choose to educate their children outside of this taxpayer-funded system must therefore pay for the education of others’ children before their own. Curriculum, learning kits, field trips, travel costs, and other necessary expenses are post-tax costs. The state, by imposing an income tax, requires these families to financially prioritize the education of other children first.

To encourage behavior by and minimize the tax burden on select segments of the citizenry, certain tax credits are currently offered by the state. Examples include adopting a special needs child, employing a veteran, or contributing to a medical savings account. We believe that home-schooling families should be added to this list, given the income tax’s direct connection to education funding. If these families do not utilize public schools, their mandate to help fund them should be reduced. These families will still be required to fund the public education system through property and federal taxes; our proposal only addresses the Utah state income tax.

Many parents claim enough deductions and/or credits that leads to their income tax burden being significantly reduced, if not eliminated. Our proposed tax credit would not apply to such situations, as it is a nonrefundable credit—money will not be given to families as a subsidy. If they owe no income tax, then they will receive no benefit. The credit only applies to those who do owe the tax.

These deductions may not always be in place, however. One Utah legislator has proposed eliminating the personal deduction, which would significantly increase the tax burden upon large home-schooling families—thereby making it even more difficult for them to fund their children’s educational needs.

Before helping to pay for the school costs of other children, Utah families should be allowed to meet their own family’s needs, and the current tax structure does not allow for this. Our proposal helps to remedy this imbalance.

# Bill Proposal

*(As this entire section of code is new, and to more easily read the text, we have left it unitalicized.)*

## **Section 59-10-1032: Nonrefundable tax credit for home-schooling parent.**

- (1) As used in this section:
  - (a) “Home-schooling parent” means a parent:
    - (i) of a home-schooled child;
    - (ii) who has submitted the affidavit described in Subsection 53A-11-102(2); and
    - (iii) who claims the home-schooled child as a dependent under Section 151, Internal Revenue Code, on the parent’s federal individual income tax return for the taxable year.
  - (b) “Home-schooled child” means a school-age minor who is excused from school attendance in accordance with Subsection 53A-11-102(2).
  - (c) “Parent” means an individual who:
    - (i) is the biological mother or father of a home-schooled child;
    - (ii) is the stepfather or stepmother of a home-schooled child;
    - (iii) (A) legally adopts a home-schooled child; or  
(B) has a home-schooled child placed in the individual’s home by a child placing agency, as defined in Section 62A-4a-601, for the purpose of legally adopting the child;
    - (iv) is a foster parent of a home-schooled child; or
    - (v) is a legal guardian of a home-schooled child.
- (2) Except as provided in Section 59-10-1002.2, a claimant may claim a nonrefundable tax credit against a tax under this chapter of \$500 for each home-schooled child if the claimant, or another claimant who files a joint return under this chapter with the claimant, is a home-schooling parent.
- (3) A home-schooling parent may claim a tax credit under this section regardless of whether the home-schooled child participates in an extracurricular activity in a public school in accordance with Section 53A-11-102.6.
- (4) A tax credit claimed under this section may be claimed once per home-schooled child per return for a taxable year.
- (5) A claimant may not carry forward or carry back a tax credit authorized by this section.

## Notes

### **“...a nonrefundable tax credit... of \$500...”**

Home-schooling costs vary wildly depending on the ambition, frugality, educational interests, and resources of the parents. Some parents can eek by on \$200 worth of materials for the year, whereas others wish to go on field trips, purchase more costly curriculum, and engage in activities that would increase their budget. Our research suggests that \$500 per child is a comfortable middle ground—more than enough for some parents who otherwise would scrimp, and a helpful supplement to a larger budget for parents who desire to spend more on their children.

This tax credit applies to each home-schooled child, so if a family has three home-schooled children claimed as dependents, the nonrefundable credit would be in the amount of \$1,500. (Though if the family’s income tax obligation was only \$200, for example, that would become their maximum possible tax credit.)

### **“A home-schooling parent may claim a tax credit under this section regardless of whether the home-schooled child participates in an extracurricular activity in a public school...”**

SB66, passed in the 2010 legislative session, enabled home- and private-schooled children to participate in extracurricular activities in public schools. This clause affirms that participating in these activities does not disqualify the parent from claiming the tax credit. Because other tax obligations for public education will remain even when this credit is claimed (the remainder of income tax owed, property taxes, federal taxes, etc.), such parents should still be able to have their children participate in public school programs.

### **“A claimant may not carry forward or carry back a tax credit authorized by this section.”**

This clause is found in other sections of the code for tax credits, and prevents a person from rolling the credit to another year. These credits will only apply to the year of the tax filing.

## Conclusion

According to the Utah State Office of Education, 8,260 children in Utah were home-schooled during 2012. Assuming that the \$500 credit is claimed for each child, the Education Fund would receive just over \$4 million less in revenue per year. The public school system (excluding higher education) has been appropriated \$3.8 billion for FY2014. This would constitute a loss of 0.1%.

However, because of existing deductions and credits many families would not receive the full credit amount per child, if any at all. We anticipate the fiscal note to be under \$2 million.

Some home-schooling parents have expressed concern with our proposal, worried that any attempt to modify existing law will ultimately result in more regulations and control over their educational decisions. This tax credit, however, does not and cannot do any such thing. When filing taxes, Utahns indicate on an “honor system” for which credits they are eligible. Only an audit would ever discover any problems, and the result would simply be more taxes owed. Nothing in our proposal can or will lead to increased regulations or restrictions upon home-schooling families.

On the other hand, many families we have spoken with about this proposal are very eager to see it pass, allowing them to better accommodate their children’s educational needs in a tough economic environment. For these families, every little bit helps—and this income tax credit can help a lot.

We affirm the principle that Utah families should be able to meet the needs of their children before being required to financially support children in other families. The state’s income tax being used exclusively for public education makes it the appropriate burden to relieve for families who do not send their children to the government’s schools.