

QUESTIONS AND ANSWERS Education Tax Deduction – HB 1133

State Representative Jay Barnes (R-Jefferson City) has filed legislation (HB 1133) to assist K-12 school parents with their children's educational expenses. The bill has been introduced for consideration during the 2012 session of the Missouri General Assembly.

Who could claim the deduction?

Any school parent who pays tuition, attendance fees or incurs other educational expenses for a dependent to attend any K-12 school situated in Missouri, including public, private or religious schools.

What school-related expenses could be claimed?

Costs incurred for educational software that assists a dependent in improving knowledge in core curriculum areas of the school attended; fees for after-school enrichment programs; school fees and tuition; school supplies required for use during the regular school day; and tutoring.

How much could be claimed?

Up to \$2500 *per* dependent. If less than \$2500 in expenses is incurred for a dependent, then only that lesser amount could be claimed; for example, a deduction of \$1000 could be claimed if the expenses for the dependent equaled \$1000.

Would a \$2500 deduction reduce taxes by \$2500?

No. The deduction would reduce by \$2500 the income subject to taxation. Taxes are paid on a person's adjusted gross income. A deduction reduces a person's adjusted gross income. In Missouri the tax on income over \$9,000 is calculated at six percent. Hence, the actual tax savings on a \$2500 deduction would be \$150.

So \$150 is the total tax savings?

The tax savings would be more if the parents claim the deduction for more than one dependent. For example, if the parents claimed the full \$2500 deduction for each of three dependents, they would realize tax savings of \$450 (3 x \$150).

Do other Midwestern states provide tax breaks to parents for school-related expenses?

Yes. Iowa, Illinois, and Minnesota all offer parents tax breaks for education-related expenses incurred at public, private or religious schools.

Has the U.S. Supreme Court ever ruled on school tax deductions or credits?

Yes. In *Mueller v. Allen*, 463 US 388 (1983), the U.S. Supreme Court upheld as constitutional a Minnesota law that provided a state income tax deduction for K-12 educational expenses. The court concluded that such a tax program had the secular purpose of promoting an educated citizenry.

Does the Missouri constitution prohibit aid to religious schools?

The Missouri constitution prohibits the state from paying funds to religious schools, but the proposed deduction is not claimed by schools but by parents and it is parents who realize the tax savings. Nothing in the Missouri constitution prohibits the state from promoting the education of its citizens through the state tax code.

Would this deduction take money away from public schools?

No. The deduction would neither reduce state aid for public schools nor reduce local tax support for public schools. It would be similar to the existing deduction parents claim for their dependents - the dependency exemption. And no one suggests the dependency exemption threatens public schools.

Why does this deduction merit support?

It promotes the education of Missouri school children. States like Iowa, Illinois and Minnesota that fund their public schools better than Missouri *also* offer parents tax relief for K-12 educational expenses.

What can I do to promote passage of HB 1133?

Contact your state representative and urge his/her support for HB 1133. If you don't know who your legislator is visit the MCC website at www.mocatholic.org and click "Find Your Legislator." In addition to contacting your state representative, tell your friends and neighbors about HB 1133. Give them a copy of this Questions and Answers and ask them to contact their state representative. Follow the progress of HB 1133 through communications from the MCC and visiting the MCC website.