

Senate Ways and Means Committee

Sonja Caldwell 271-2117

HB 386-FN, relative to technical corrections to the education tax credit statute.

Hearing Date: April 5, 2017

Members of the Committee Present: Senators Sanborn, Giuda, Daniels and Feltes

Members of the Committee Absent: Senator D'Allesandro

Bill Analysis: This bill makes changes to the education tax credit statute and repeals the prohibition on a pupil attending a school other than the school to which the pupil was assigned by the school board.

Sponsors:

Rep. McGuire
Sen. Reagan

Rep. Ladd

Rep. Hill

Who supports the bill: Will Anderson, Darryl Perry (Liberty Lobby LLC), Rep. Abrami, Kate Baker (Children's Scholarship Fund), Kathy Lauer-Rago (CSF), Rep. Greg Hill

Who opposes the bill: no one

Who is neutral on the bill: no one

Summary of testimony presented:

Representative Greg Hill stated that this is the best educational program that we have put out in a number of years. This is the first time we have had to come back to make corrections to the bill since it was passed in 2012.

Senator Sanborn is a donor to the program and therefore may have a conflict but will still participate

Kate Baker—Executive Director of Children's Scholarship Fund. The changes that the bill makes will line the tax credit up more with how other tax credits are already working in the state, such as the CDFA tax credit. The bill expands the window of time, so that a business can get the tax credit between January and November. The bill removes a duplicate form that a business has to fill out. The bill makes it so that they can provide scholarships to students to use for online courses, for example online college courses. The bill adds the ability to grant scholarships for online courses to meet current needs, rather than just granting scholarships for private school tuition.

Senator Guida asked Ms. Baker to explain the roll over provision of the bill.

Kate Baker answered that the Children's Scholarship Fund receives contributions from businesses between January and December. By the time that businesses donate in December the program has already awarded all the scholarships for that year, therefore the money would not be available for use until the next year. The Children's Scholarship Fund has used every dollar thus far. Some students use the program because of being bullied and need to change schools as a result.

Senator Feltes asked about the cumulative impact of the changed in section 1 of the bill.

Kate Baker - so far the program has only had one student who wanted to use the scholarship for an online program. The average scholarship for this year was 2,200 dollars. The bill could increase the total dollars of their home school scholarships that they award. However, they do award scholarships based on a family's need. The bill will still enable them to give a home school scholarship, but it will strike out the requirement to cap the scholarship at a quarter percent of what the average scholarship is. Now a business can wait until the end of the year when they know what their tax liability will be before deciding whether or not to donate. The window for tax credits is a calendar year.

Melissa Rollins DRA they worked with the bill's sponsor to amend it so that they can properly administer it. Currently, businesses must file an application by June 15th. The bill extends this due date to November 15th. Currently donations have to be made by July and this bill will extend that deadline to December. There is an indeterminable fiscal impact because you're extending out the timeline so more businesses could theoretically take the credit. The 10% contribution was already existing statute; it was not changed. This is the contributions made to the scholarship program not the tax credit. The 10% is a limit on how much the scholarship program can roll over.

Senator Sanborn said that this is an 85% tax credit. He asked what the range is for other tax credits. **Carolynn Ward** said that it varies. The CDFA tax credit is a 75% tax credit. You make a donation and then you can deduct 75% of the donation.

Senator Daniels said that on the quick guide the paragraph repeals the requirement that there be a receipt, but in the bill on page 2 it says there shall be a receipt.

Carolynn Ward – on the last page of the bill on line 7 it is repealed. There were two forms filed when a donation was made by a business. Now DRA will just hear from them once saying that a donation was made.

Senator Feltes asked in regards to the fiscal note why there is a projected decrease.

Carolynn Ward answered that the timeline for this has been expanded. They are making the assumption that if taxpayers have more time to file and request an education tax credit, more requests will come in. If more credits are issued, it would decrease business tax revenue.