

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** T. Travis Hackworth
3. **Committee** Senate Finance and Appropriations
4. **Title** Income Tax: Expansion of Education Improvement Scholarships

2. **Bill Number** SB 16
House of Origin:
X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. **Summary/Purpose:**

This bill would increase annual credit cap for the Education Improvement Scholarships Tax Credit from \$25 million to \$50 million. This bill would also increase the amount of the Education Improvement Scholarships Tax Credit from 65 percent to 80 percent of the value of a donation of money or marketable securities made to an eligible scholarship foundation. This bill would also repeal the credit's sunset date. The credit is currently scheduled to expire for taxable years beginning on or after January 1, 2028.

If this bill is passed during the 2022 General Assembly session, the bill would be effective on July 1, 2022.

6. **Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates
Item 135, Department of Education

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2022-23	\$109,093	1	GF
2023-24	\$109,093	1	GF
2024-25	\$109,093	1	GF
2025-26	\$109,093	1	GF
2026-27	\$109,093	1	GF
2027-28	\$109,093	1	GF

8. **Fiscal implications:**

Administrative Costs

This bill would result in administrative costs to the Department of Education of \$109,093 in Fiscal Year 2023 and thereafter. Such funding would include salary and benefit costs for hiring one full-time employee to vet additional organizations that would qualify to receive an allocation of credits if this bill is enacted.

The Department of Taxation considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

Increasing the value of the credit from 65 percent to 80 percent of the value of a donation would have an estimated negative General Fund revenue impact of \$3 million annually beginning in Fiscal Year 2023. Because the credit is currently undersubscribed, increasing the credit cap would not have an immediate revenue impact. Although the credit is currently subject to an annual credit cap of \$25 million, the Official General Fund revenue forecast currently assumes a \$13 million revenue loss as a result of the existing credit based on historical data.

The following table provides information regarding the amount (in millions) of Education Improvement Scholarship Tax Credits issued for Fiscal Years 2014-2021:

Fiscal Year	Credits Issued
2014	\$1.47
2015	\$3.73
2016	\$6.75
2017	\$9.75
2018	\$11.50
2019	\$10.78
2020	\$9.50
2021	\$12.88

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Education

10. Technical amendment necessary: No.

11. Other comments:

Education Improvement Scholarships Tax Credits

The Education Improvement Scholarship Tax Credit provides an income tax credit to taxpayers equal to 65 percent of value of the monetary or marketable securities donations they made to a qualifying scholarship foundation. Tax credits are awarded to taxpayers on a first-come, first-served basis. The Department of Education is responsible for approving scholarship foundations and allocating Education Improvement Scholarship Tax Credits. A taxpayer that makes a donation to a scholarship foundation is eligible to receive an income tax credit from that scholarship foundation.

No tax credit is allowed if the donation is less than \$500. No more than \$125,000 in tax credits may be issued to an individual in a taxable year. The \$125,000 limitation does not apply to tax credits issued to any business entity, including a sole proprietorship. In addition, taxpayers may carry forward unused credits for up to five taxable years.

The Education Improvement Scholarship Tax Credit is subject to an annual credit cap of \$25 million. The credit is currently scheduled to expire for taxable years beginning on or after January 1, 2028.

Sunset Dates for New Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2021 Appropriation Act provides that any new sales tax exemption or tax credit enacted by the General Assembly after the 2019 Session, but prior to the 2024 Session, must have a sunset date of not later than June 30, 2025.

Proposed Legislation

This bill would increase annual credit cap for the Education Improvement Scholarships Tax Credit from \$25 million to \$50 million. This bill would also increase the amount of the Education Improvement Scholarships Tax Credit from 65 percent to 80 percent of the value of a donation of money or marketable securities made to an eligible scholarship foundation. This bill would also repeal the credit's sunset date. The credit is currently scheduled to expire for taxable years beginning on or after January 1, 2028.

If this bill is passed during the 2022 General Assembly session, the bill would be effective on July 1, 2022.

Similar Bills

Senate Bill 788 would increase the amount of the Education Improvement Scholarships Tax Credit from 65 percent to 75 percent of the value of a donation of money or marketable securities made to an eligible scholarship foundation..

House Bill 982 would increase the value of the Education Improvement Scholarships Tax Credit from 65 percent to 100 percent of the value of a donation made, repeal the credit cap, repeal the required donation thresholds, and make other technical changes to this credit program.

Senate Bill 27 would increase the annual cap on Neighborhood Assistance Act Tax Credit from \$9 million to \$25 million, and expand the availability of the Education Improvement Scholarships Tax Credit.

Senate Bill 709 would repeal the sunset date for the Education Improvement Scholarships Tax Credit and make other technical changes to the credit.

House Bill 294 would make several changes to the Education Improvement Scholarships Tax Credit to provide scholarships to certain students in need of a safer school environment.

cc : Secretary of Finance

Date: 1/27/2022 RWC
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