

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 95** SLS 17RS 324

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP SEN COMM AMD**

Sub. Bill For.:

Date: April 28, 2017	4:24 PM	Author: MORRISH
Dept./Agy.: Revenue		Analyst: Jodi Mauroner
Subject: Rebates to School Tuition Donation Organizations		

TAX EXEMPTIONS

OR INCREASE GF RV See Note

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Changes the rebate for donations to certain school tuition organizations to a nonrefundable income tax credit. (gov sig)

Current law authorizes a rebate for donations made to a school tuition donation organization (STO) which must be used to provide scholarships to qualified students at participating schools. The amount of the rebate is equal to the amount of the donation used to fund a scholarship, excluding administrative costs, which shall not exceed 5% of the donation amount. Proposed law replaces the rebate with a non-refundable tax credit that is equal to 50% of the donation amount. Further specifies that in order to qualify for the credit, the taxpayer must be required to file a Louisiana income tax return. Provides for use in addition to federal taxes but prohibits the receipt of any other state tax credit, exemption, exclusion or deduction; provides for a three year carry-forward for credits which can't be used in the year earned; revises the student eligibility for participation in an STO scholarship; revises tuition payment amounts; and provides for reporting requirements by both the STO and the Department of Education. Effective for donations made on or after July 1, 2017.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There will be an indeterminable impact to the state Minimum Foundation Program funding formula (MFP) to the extent student participation in the STO changes.

Reducing the maximum scholarship award to the MFP base per pupil amount (\$3,961) could increase the number of students which may be funded through the STO (reduces MFP), or alternatively could reduce the number of students participating in the STO program due to their inability to pay the tuition balance (increases MFP). However, the impact for students participating in the voucher program who no longer receive priority placement in an STO and who return to a public school is indeterminable. The average voucher payment of \$5,892 exceeds the state MFP average of \$5,231 (although some exceed the MFP amount by more significant levels). The actual difference would depend upon the tuition of the voucher school the student may attend and the actual per pupil amount that would have been provided through the MFP.

REVENUE EXPLANATION

There will likely be a reduction in the amount of taxpayer donations charged against gross state tax collections (most likely personal and corporate income tax). Thus, net collections for deposit into the state treasury would increase.

Donations and scholarship awards under the STO program began with the 2013-2014 school year with a total of \$61,000 in donations rebated. Participating organizations are required to submit annual reports on January 1 of each year. Based on information submitted by the three participating STOs, rebate eligible donation amounts for the past three years totaled \$6.6M and scholarships awarded for school years totaled \$3.4M. Donation data for the 2016-2017 school year will not be available until the January 2018 report, however based on initial enrollment as reported by the Department of Education \$7M in scholarships have been awarded for the current school year. Total exposure to the state for the four period is \$10.5M.

Proposed legislation converts the rebate of donations to a non-refundable tax credit, limits the credit to only 50% of the donation amount, and caps the scholarship at the lessor of the actual tuition rate or the MFP base per pupil amount (\$3,961). These proposed changes may reduce the number of students financed through the STOs and slow the growth of the program.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Chief Economist

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CONTINUED EXPLANATION from page one:

Revenue Explanation Continued

It is unknown whether donors will continue to make donations under the proposed changes to the state benefit, and/or whether the number of donors will increase sufficiently to offset a potential reduction in donation amounts. However, in addition to the state rebate, a 2011 memo issued by the Office of the Chief Counsel of the Internal Revenue Service determined that notwithstanding the state benefit amounts, individuals and businesses may claim these donations as charitable contributions on their federal income tax returns. This added tax benefit could still encourage individuals and businesses to make donations to this program despite the reduced state benefit.

Converting the rebate to a tax credit for residents required to file returns may also reduce the extent of the state's exposure. Currently, some donors are non-profits and non-secular organizations which may not be required to file returns under state law, or which do not pay state taxes. Under proposed legislation these organizations would not be eligible to claim the credit. Furthermore, if a taxpayer does not have sufficient tax liability to allow for the full credit amount, the proposed bill provides a three year carry forward provision to provide the opportunity for the donor to take advantage of the full credit amount. Additionally, while the donation may still be used as a deduction on federal income tax filings, the credit may not be used in conjunction with any other state credit, exemption, exclusion, or deduction.

Rebates are claimed the year following the school year in which scholarships are awarded. Donations made subsequent to July 1, 2017 for the 2017-2018 school year cannot be claimed until FY 19 and thereafter.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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