

HCS HB 345 -- TAX CREDITS FOR DONATIONS TO EDUCATIONAL CHARITIES

SPONSOR: Cooper, 120 (Cunningham, 86)

COMMITTEE ACTION: Voted "do pass" by the Committee on Tax Policy by a vote of 9 to 8.

This substitute authorizes an income tax, corporation franchise tax, or express company tax credit of up to 50% of any contribution of \$200 or more to a certified nonprofit educational assistance organization.

The cumulative amount of tax credits statewide are capped at \$5 million per year. Tax credits taken cannot exceed the taxpayer's liability but may be carried forward up to four years. Any contribution already claimed on the taxpayer's federal income tax return must be added back in the computation of Missouri income taxes.

The Department of Economic Development will administer the tax credit program. The department will select designated nonprofit oversight organizations to assist in the administration of the tax credit program and in the selection of certified nonprofit educational assistance organizations that meet the criteria provided in the substitute.

The substitute also requires the eligible pupil count in the computation of state aid to school districts to be adjusted so that no school district receives aid for any student that transfers as the result of using the proceeds of an educational scholarship. The department will determine the savings resulting from the reduction in the eligible pupil aid in relationship to the amount of tax credits issued and distribute the savings to public school districts in proportion to the reduction in state aid lost as the result of student transfers.

The tax credit program will be considered non-governmental funding and will not be construed to be a public appropriation or the providing of public assistance to any school.

FISCAL NOTE: Estimated Net Cost to General Revenue Fund of \$109,529 to Unknown in FY 2004, \$65,198 to Unknown in FY 2005, and \$66,889 to Unknown in FY 2006. For FY 2004, a loss of income to the General Revenue Fund of up to \$5 million could result if taxpayers take advantage of the new program by making donations from August 28, 2003, through December 31, 2003. The fiscal impact of the tax credits could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes to local school districts) if some of the tax credits are utilized against insurance premium taxes.

PROPOSERS: Supporters say that the bill will allow students to transfer to private schools from problem public school districts and obtain a quality education. The bill is also designed to be revenue neutral and not affect state funds. Every child deserves the best education available, and the bill will allow the child and the parents of the child to select the best educational opportunity available to accomplish this.

Testifying for the bill were Representative Cunningham (86); Missouri Economic Development Council District 5; Lord's Light Scholarship Program; Johanna Roy; Marty Angell; Citizens for Educational Freedom; Missouri Catholic Conference; and Missourians for Private Education.

OPPOSERS: Those who oppose the bill say that it lacks accountability and fairness. It may not be appropriate for the Department of Economic Development to handle the program. Public schools could lose additional funding during a time when funding is already being cut.

Testifying against the bill were Missouri National Education Association; and American Federation of Teachers.

Bill Tucker, Deputy Director of Research