

HCS HB 1702 -- TAX CREDITS FOR EDUCATION-RELATED CHARITABLE DONATIONS

SPONSOR: Cooper, 120 (Thompson)

COMMITTEE ACTION: Voted "do pass" by the Committee on Tax Policy by a vote of 10 to 7.

This substitute authorizes an individual income tax credit for tax years beginning on after January 1, 2005, for contributions of \$200 or more made to a Missouri nonprofit educational assistance organization. Contributions for the educational expenses of a taxpayer's dependent do not qualify. The amount of the tax credit will be equal to 50% of the contribution.

The amount of the tax credit cannot exceed the tax liability of the taxpayer in any one year. Any unused credit can be carried forward for four years. The cumulative amount of tax credits cannot exceed \$10 million per fiscal year. The Director of the Department of Economic Development will establish a procedure to apportion the tax credits among all nonprofit educational assistance organizations and annually determine which organizations qualify based on the specified conditions.

The substitute allows the director to contract with a nonprofit educational assistance organization to be a designated oversight organization to administer the program. Contributions are to be distributed for student scholarships less up to 2% for administrative costs.

School boards of certain school districts may opt to participate in this program by adopting a resolution and submitting it to the Department of Elementary and Secondary Education.

The substitute requires the eligible pupil count to be adjusted if a pupil no longer is enrolled or transfers to another school because of an educational scholarship.

FISCAL NOTE: Estimated Effect on General Revenue Fund of a cost of \$130,950 in FY 2005, a cost of \$10,000,000 to an income of \$8,946,800 in FY 2006, and a cost of \$10,000,000 to an income of \$8,946,800 in FY 2007. No impact on Other State Funds in FY 2005, FY 2006, and FY 2007.

PROPOSERS: Supporters say that the bill provides an educational opportunity for students in low-achieving school districts. Contributions made to the fund will provide scholarships for up to 3,000 students each year. Money to a school district leaves when a student leaves, providing the school district with incentive to improve. It gives parents of children in a

provisionally accredited school district a choice for their children's education.

Testifying for the bill were Representatives Cunningham (86), El Amin, and Hoskins; Leslie Farr, II; Cochran Garden Tenant Management; Carver Christian Academy; Ptah Academy; Shirley McFarland; Annie Cooper; and Choice for Every Child.

OPPONENTS: Those who oppose the bill say that they oppose tax credit vouchers.

Testifying against the bill were Missouri National Education Association; and Missouri AFL-CIO.

Karla Strobels, Legislative Analyst