

## HB 2458 -- Educational Tax Credits

Sponsor: Jones (89)

This bill establishes the Children's Education Freedom Act which authorizes a 50% tax credit beginning January 1, 2008, for taxpayers who donate to a scholarship-granting organization if the donations are not claimed on the taxpayer's federal income tax return. The credit is nonrefundable but may be carried forward for three years or transferred. The cumulative amount of tax credits cannot exceed \$40 million annually, adjusted for inflation based on the federal Consumer Price Index. Scholarships must average \$5,000, adjusted for inflation based on the index. The Director of the Department of Economic Development or a designated oversight organization must establish a procedure by which the cumulative amount of tax credits is apportioned among all nonprofit educational assistance organizations.

Eligibility standards for students receiving scholarships include residence in a provisionally accredited, unaccredited, or interim accredited school district; attendance at a public school for the semester before a scholarship is granted or starting school in the state for the first time; and a family income of 185% of the level which qualifies the student for the federal reduced-price school lunch program.

Scholarships may be given to a disabled child three years of age or older if the child's parents have nonreimbursed medical expenses in excess of 7.5% of their federal adjusted gross income or to a child identified by a principal and approved by his or her superintendent on the basis of disciplinary or academic criteria specified in the bill. Public schools are given the right of first acceptance of scholarship recipients, and scholarships may be used at public schools for certain purposes which include tutoring, general educational development, and transportation. Public school districts may opt into the scholarship program. Public schools whose students transfer under the program cannot continue to receive state aid money for those students beyond the immediately preceding year.

Scholarship-granting organizations must meet requirements for fiscal soundness, percentage of revenues devoted to educational scholarships, and public reporting. Private schools qualify to accept scholarship students by meeting certain requirements including employee background checks and student assessments. The bill specifies how scholarship checks will be distributed.

The provisions of the bill will expire six years from the effective date, but a child who is receiving a scholarship may

continue in the program until completion of the twelfth grade.  
The bill contains an emergency clause.