

**DEPARTMENT OF TAXATION
2020 Fiscal Impact Statement**

1. **Patron** David L. Bulova

2. **Bill Number** HB 521

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Repeal of the Education Improvement
Scholarships Tax Credit

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would repeal the Education Improvement Scholarships Tax Credit. If a taxpayer makes a qualifying donation prior to July 1, 2020, they would still be eligible to claim the credit for Taxable Year 2020 and carry over unused credits for up to five taxable years.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No.

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

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2021-22	\$5.6 million	GF
2022-23	\$11.2 million	GF
2023-24	\$11.2 million	GF
2024-25	\$11.2 million	GF
2025-26	\$11.2 million	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have an estimated positive General Fund revenue impact of \$5.6 million in Fiscal Year 2022 and \$11.2 million in Fiscal Year 2023 and in each fiscal year thereafter.

The table below provides the amount of Education Improvement Scholarships Tax Credits granted to taxpayers for Taxable Year 2014 through Taxable Year 2018:

Taxable Year	Amount Granted
2014	\$4.8 million
2015	\$6.7 million
2016	\$9.1 million
2017	\$11.7 million
2018	\$11.2 million

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

Taxpayers are permitted to claim Education Improvement Scholarships Tax Credits equal to 65 percent of the monetary or marketable securities donation they made to a qualifying scholarship foundation. Tax credits are awarded to taxpayers on a first-come, first-served basis. The credit is subject to an annual credit cap of \$25 million. 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.

Proposed Legislation

This bill would repeal the Education Improvement Scholarships Tax Credit. If a taxpayer makes a qualifying donation prior to July 1, 2020, they would still be eligible to claim the credit for Taxable Year 2020 and carry over unused credits for up to five taxable years.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

cc : Secretary of Finance

Date: 1/11/2020 JLOF
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