

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Stephen D. Newman

3. **Committee** Senate Education and Health

4. **Title** Education Improvement Scholarships Tax
Credit; Transferability

2. **Bill Number** SB 893

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow a taxpayer entitled to an Education Improvement Scholarships Tax Credit to transfer such credit to any other taxpayer.

If enacted during the 2023 Regular Session of the General Assembly, this bill would become effective on July 1, 2023.

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

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

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 no impact on General Fund revenues. Although making the credit transferable could accelerate the timing of when credits may be claimed against tax liability, this credit is currently subject to an annual credit cap of \$25 million. Because the Official General Fund revenue forecast currently assumes a \$25 million annual revenue loss attributable to this credit, no budget amendment is needed.

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 Credit

The Education Improvement Scholarships Tax Credit provides an income tax credit to taxpayers equal to 65 percent of value of the monetary or marketable securities donations they made to a qualifying scholarship foundation. Tax credits are awarded to taxpayers on a first-come, first-served basis. DOE is responsible for approving scholarship foundations and allocating the Education Improvement Scholarships Tax Credit, and these decisions are final and are not subject to review or appeal. A taxpayer that makes a donation to a scholarship foundation is eligible to receive an income tax credit from that scholarship foundation.

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. The Education Improvement Scholarships Tax Credit is subject to an overall annual credit cap of \$25 million.

Proposed Legislation

This bill would allow a taxpayer entitled to an Education Improvement Scholarships Tax Credit to transfer such credit to any other taxpayer.

If enacted during the 2023 Regular Session of the General Assembly, this bill would become effective on July 1, 2023.

Similar Legislation

House Bill 1371 and **House Bill 1396** would establish an Education Saving Account Program, increase the value of the Education Improvement Scholarships Tax Credit from 65 percent to 100 percent of a donation to a scholarship foundation, remove the individual minimum and maximum donation amounts, remove the \$25 million aggregate credit cap, and raise the threshold for students to qualify for scholarships.

House Bill 1821 would increase the value of the Education Improvement Scholarships Tax Credit from 65 percent to 100 percent of a donation to a scholarship foundation and changes some of the requirements for children to qualify for scholarships.

Senate Bill 892 would clarify the definition of student eligible to receive a scholarship.

Senate Bill 1179 would make changes to the definition of student with disability and to the early education program as it relates to the Education Improvement Tax Credit.

cc : Secretary of Finance

