# *ARIZONA STATE SENATE*

***Fifty-Second Legislature, First Regular Session***

## **AMENDED**

## FACT SHEET FOR H.B. 2483

school tax credit; classroom expenses

Purpose

Requires Student Tuition Organizations (STOs) to provide additional information in their websites and in their annual report to the department of revenue (DOR).

Background

Statute allows for a credit against taxes for the amount of any fees or cash contributions by a taxpayer to a public school for the support of extracurricular activities or character education programs of the public school, but not exceeding: 1) $200 for a single individual or a head of household; or 2) $400 in taxable year (TY) 2006 and any subsequent taxable year for a married couple filing jointly. This tax credit can be carried forward to offset future taxes for no more than that five consecutive TY's income tax liability (A.R.S. § 43-1089.01).

STOs that are allowed to receive corporate contributions have certain reporting requirements. According to statute, in order to be eligible for certification and retain certification, the STO: (a) must allocate at least ninety percent of annual revenue from tax credit contributions for educational scholarships or tuition grants; (b) cannot limit the availability of education scholarships or tuition grants to only students of one school; (c) must allow DOR to verify that educational scholarships and tuition grants are awarded to students who attend a qualified school; and (d) must not knowingly collude with any other STO in order to circumvent statutory scholarship amount limits (A.R.S. § 43-1503). In this case, a qualified school is defined as a preschool that offers services to students with disabilities or nongovernmental primary or secondary school with certain requirements and does not include charter schools (A.R.S. § 43-1501).

STOs that receive individual contributions have certain statutory requirements in order to be eligible for certification and retain certification. The STO: 1) must allocate at least ninety percent of its annual revenue from contributions for educational scholarships or tuition grants; 2) cannot limit the availability of educational scholarships or tuition grants to only students of one school; 3) can permit donors to recommend student beneficiaries, but cannot reserve scholarships solely on this basis; and 4) cannot allow donors to designate student beneficiaries as a condition of any contribution to the organization (A.R.S. § 43-1603). These STOs must also provide a notice on their website stating that the STO cannot award or reserve scholarships solely on the basis of donor recommendation and that a taxpayer cannot swap donations with another taxpayer to benefit either taxpayer's own dependent.

As required by A.R.S. § 43-1506, on or before September 30 of each year, STOs that receive corporate contributions must submit a report to DOR that contains the following information:

a) the name, address and contact person of the STO;
b) the total number, during the previous FY, of the following:
   i. contributions received,
   ii. children awarded educational scholarships or tuition grants;
c) the total dollar amount, during the previous FY, of the following:
   i. contributions received,
   ii. educational scholarships and tuition grants distributed,
   iii. money being held for future grants to identified students;
d) the cost of audits paid during the FY;
e) for each school to which scholarships or tuition grants were awarded:
   i. the name and address of the school,
   ii. the number of educational scholarships and tuition grants awarded during the previous fiscal year,
   iii. the total dollar amount of educational scholarships and tuition grants awarded during the previous fiscal year; and
f) the names, job titles and annual salaries of the three employees who receive the highest annual salaries from the STO.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Requires that STOs include on their website, if one exists, and STOs that receive corporate contributions to include in their annual report to DOR, the percentage and total dollar amount of educational scholarships and tuition grants awarded during the previous FY to:
   a) students whose family income meets the economic eligibility requirements for free or reduced-price lunches; and
   b) students whose family income exceeds the threshold prescribed by (a) but does not exceed 185 percent of the economic eligibility requirements for free or reduced-price lunches.

2. Specifies that a contribution for which a public school extracurricular credit is claimed and that is made on or before a certain date may be applied to either the current or preceding TY.

3. Makes technical and conforming changes.

4. Becomes effective on the general effective date.

Amendments Adopted by Committee

1. Removes language that allows school to approve up to 20 percent of undesignated contributions made to the public school extracurricular tax credit for use as classroom expenses.

2. Adds the requirement that STOs that receive corporate contributions must include on their website, if one exists, and in their annual report to DOR the percentage and total dollar amount of scholarships and tuition grants awarded to students eligible for free or reduced-price lunches.

Amendments Adopted by Committee of the Whole

1. Requires STOs that receive individual contributions to include on their website, if one exists, the percentage and total dollar amount of scholarships and tuition grants awarded to students eligible for free or reduced-price lunches.

2. Makes technical and conforming changes.

| House Action | | | | Senate Action | | | |
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| 3rd Read | 2/24/15 | | 35-23-2-0-0 | | | | |

Prepared by Senate Research
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