

Senate Engrossed

~~technical correction; heritage fund; audit~~

(now: ST0; scholarships; increase)

State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

SENATE BILL 1118

AN ACT

AMENDING SECTIONS 43-1504 AND 43-1603, ARIZONA REVISED STATUTES; RELATING
TO SCHOOL TUITION ORGANIZATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-1504, Arizona Revised Statutes, is amended to
3 read:

4 43-1504. Special provisions; corporate donations for
5 low-income scholarships; rules

6 A. A school tuition organization that receives contributions from a
7 corporation for the purposes of section 20-224.06 or 43-1183 must use at
8 least ninety percent of those contributions to provide educational
9 scholarships or tuition grants only to children whose family income does
10 not exceed one hundred eighty-five percent of the income limit required to
11 qualify a child for ~~reduced-price~~ REDUCED-PRICE lunches under the national
12 school lunch and child nutrition acts (42 United States Code sections 1751
13 through ~~1785~~ 1793) and to whom any of the following applies:

14 1. Attended a governmental primary or secondary school as a
15 full-time student as defined in section 15-901 or attended a preschool
16 program that offers services to students with disabilities at a
17 governmental school for at least ninety days of the prior fiscal year or
18 one full semester and transferred from a governmental school to a
19 qualified school.

20 2. Enroll in a qualified school in a kindergarten program or a
21 preschool program that offers services to students with disabilities.

22 3. ~~is~~ ARE the dependent of a member of the armed forces of the
23 United States who is stationed in this state pursuant to military orders.

24 4. ARE HOMESCHOOLED BEFORE ENROLLING IN A QUALIFIED SCHOOL.

25 5. MOVED TO THIS STATE FROM OUT OF STATE BEFORE ENROLLING IN A
26 QUALIFIED SCHOOL.

27 6. PARTICIPATED IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT AND
28 DID NOT RENEW THE ACCOUNT OR ACCEPT THE SCHOLARSHIP IN ORDER TO ACCEPT A
29 SCHOLARSHIP OR TUITION GRANT UNDER THIS SECTION.

30 ~~4.~~ 7. Received an educational scholarship or tuition grant under
31 paragraph 1, 2, ~~or~~ 3, 4, 5 OR 6 of this subsection or chapter 16, article
32 1 of this title if the children continue to attend a qualified school in a
33 subsequent year.

34 B. A child is eligible to receive an educational scholarship or
35 tuition grant under subsection A of this section if the child meets the
36 criteria to receive a ~~reduced-price~~ REDUCED-PRICE lunch but does not
37 actually claim that benefit.

38 C. In ~~2006~~ 2021, a school tuition organization shall not issue an
39 educational scholarship or a tuition grant for the purposes of section
40 20-224.06 or 43-1183 in an amount that exceeds ~~\$4,200~~ \$5,600 for students
41 WHO ARE in a kindergarten program, a preschool program that offers
42 services to students with disabilities or grades one through eight or
43 ~~\$5,500~~ \$7,500 for students WHO ARE in grades nine through twelve. In each
44 year after ~~2006~~ 2021, the ~~limitation~~ LIMIT amount for a scholarship or a
45 grant under this subsection shall be increased by ~~\$100~~ \$200.

1 D. A school tuition organization shall require that student
2 beneficiaries use the educational scholarships or tuition grants on a
3 full-time basis. If a child leaves the school before completing an entire
4 school year, the school shall refund a prorated amount of the educational
5 scholarship or tuition grant to the school tuition organization that
6 issued the scholarship or grant. The school tuition organization shall
7 allocate any refunds it receives under this subsection for educational
8 scholarships or tuition grants.

9 E. Students who receive an educational scholarship or tuition grant
10 under this section shall be allowed to attend any qualified school of
11 their parents' choice.

12 F. The department of revenue, with the cooperation of the
13 department of insurance and financial institutions, shall adopt rules and
14 publish and prescribe forms and procedures necessary ~~for the~~
15 ~~administration of~~ TO ADMINISTER this section.

16 Sec. 2. Section 43-1603, Arizona Revised Statutes, is amended to
17 read:

18 43-1603. Operational requirements for school tuition
19 organizations; notice; qualified schools

20 A. A certified school tuition organization must be established to
21 receive contributions from taxpayers for the purposes of income tax
22 credits under sections 43-1089 and 43-1089.03 and to pay educational
23 scholarships or tuition grants to allow students to attend any qualified
24 school of their parents' choice.

25 B. To be eligible for certification and retain certification, the
26 school tuition organization:

27 1. Must allocate at least ninety percent of its annual revenue from
28 contributions made for the purposes of sections 43-1089 and 43-1089.03 for
29 educational scholarships or tuition grants.

30 2. Shall not limit the availability of educational scholarships or
31 tuition grants to only students of one school.

32 3. May allow donors to recommend student beneficiaries, but shall
33 not award, designate or reserve scholarships solely on the basis of donor
34 recommendations.

35 4. Shall not allow donors to designate student beneficiaries as a
36 condition of any contribution to the organization, or facilitate,
37 encourage or knowingly ~~permit~~ ALLOW the exchange of beneficiary student
38 designations in violation of section 43-1089, subsection F, section
39 43-1089.03, subsection F and section 43-1089.04, subsection E.

40 5. Shall include on the organization's website, if one exists, the
41 percentage and total dollar amount of educational scholarships and tuition
42 grants awarded during the previous fiscal year to:

43 (a) Students whose family income meets the economic eligibility
44 requirements established under the national school lunch and child

1 nutrition acts (42 United States Code sections 1751 through 1793) for free
2 or reduced-price lunches.

3 (b) Students whose family income exceeds the threshold prescribed
4 by subdivision (a) of this paragraph but does not exceed one hundred
5 eighty-five percent of the economic eligibility requirements established
6 under the national school lunch and child nutrition acts (42 United States
7 Code sections 1751 through 1793) for free or reduced-price lunches.

8 6. Must not award educational scholarships or tuition grants to
9 students who are simultaneously enrolled in a district school or charter
10 school and a qualified school.

11 C. A school tuition organization shall include the following notice
12 in any printed materials soliciting donations, in applications for
13 scholarships and on its website, if one exists:

14 Notice

15 A school tuition organization cannot award, restrict or
16 reserve scholarships solely on the basis of a donor's
17 recommendation.

18 A taxpayer may not claim a tax credit if the taxpayer
19 agrees to swap donations with another taxpayer to benefit
20 either taxpayer's own dependent.

21 D. In evaluating applications and awarding, designating or
22 reserving scholarships, a school tuition organization:

23 1. Shall not award, designate or reserve a scholarship solely on
24 the recommendation of any person contributing money to the organization,
25 but may consider the recommendation among other factors.

26 2. Shall consider the financial need of applicants.

27 E. A taxpayer's contribution to a school tuition organization that
28 exceeds the amount of the credit allowed by section 43-1089 but does not
29 exceed the amount of the credit allowed by section 43-1089.03 is
30 considered a contribution pursuant to section 43-1089.03. A school
31 tuition organization must use at least ninety percent of contributions
32 made pursuant to section 43-1089.03 for educational scholarships or
33 tuition grants for students to whom any of the following applies:

34 1. Attended a governmental primary or secondary school as A
35 full-time ~~students~~ STUDENT as defined in section 15-901 or attended a
36 preschool program that offers services to students with disabilities at a
37 governmental school for at least ninety days of the prior fiscal year and
38 transferred from a governmental school to a qualified school.

39 2. Enroll in a qualified school in a kindergarten program or a
40 preschool program that offers services to students with disabilities.

41 3. Are the dependent of a member of the armed forces of the United
42 States who is stationed in this state pursuant to military orders.

43 4. ARE HOMESCHOOLED BEFORE ENROLLING IN A QUALIFIED SCHOOL.

44 5. MOVED TO THIS STATE FROM OUT OF STATE BEFORE ENROLLING IN A
45 QUALIFIED SCHOOL.

1 6. PARTICIPATED IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT AND
2 DID NOT RENEW THE ACCOUNT OR ACCEPT THE SCHOLARSHIP IN ORDER TO ACCEPT A
3 SCHOLARSHIP OR TUITION GRANT UNDER THIS SECTION.

4 ~~4.~~ 7. Received an educational scholarship or tuition grant under
5 paragraph 1, 2, ~~or~~ 3, 4, 5 OR 6 of this subsection or under chapter 15 of
6 this title if the student continues to attend a qualified school in a
7 subsequent year.

8 F. In awarding educational scholarships or tuition grants from
9 contributions made pursuant to section 43-1089.03, a school tuition
10 organization shall give priority to students and siblings of students on a
11 waiting list for scholarships if the school tuition organization maintains
12 a waiting list.

13 G. If an individual educational scholarship or tuition grant
14 exceeds the school's tuition, the amount in excess shall be returned to
15 the school tuition organization that made the award or grant. The school
16 tuition organization may allocate the returned monies as a multiyear award
17 for that student and report the award pursuant to section 43-1604,
18 subsection A, paragraph 5, subdivision (b) or may allocate the returned
19 monies for educational scholarships or tuition grants for other students.