HOUSE BILL 2504

AN ACT

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

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

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

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

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

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

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

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

4. Are homeschooled before enrolling in a qualified school.

5. Moved to this state from out of state before enrolling in a qualified school.

6. Participated in an Arizona empowerment scholarship account and did not renew the account or accept the scholarship in order to accept a scholarship or tuition grant under this section.

7. Are placed in foster care pursuant to Title 8, Chapter 4 at any time before the student graduates from high school or obtains a general equivalency diploma.

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

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

C. In 2021, a school tuition organization shall not issue an educational scholarship or a tuition grant for the purposes of section 20-224.06 or 43-1183 in an amount that exceeds $5,600 for students who are in a kindergarten program, a preschool program that offers services to students with disabilities or grades one through eight or $7,500 for
students who are in grades nine through twelve. In each year after 2021, the limit amount for a scholarship or a grant under this subsection shall be increased by $200.

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

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

F. The department of revenue, with the cooperation of the department of insurance and financial institutions, shall adopt rules and publish and prescribe forms and procedures necessary to administer this section.

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

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

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

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

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

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

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

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

5. Shall include on the organization's website, if one exists, the percentage and total dollar amount of educational scholarships and tuition grants awarded during the previous fiscal year to:
(a) Students whose family income meets the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches.

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

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

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

Notice

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

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

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

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

2. Shall consider the financial need of applicants.

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

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

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

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

4. Are homeschooled before enrolling in a qualified school.
5. Moved to this state from out of state before enrolling in a qualified school.

6. Participated in an Arizona empowerment scholarship account and did not renew the account or accept the scholarship in order to accept a scholarship or tuition grant under this section.

7. ARE PLACED IN FOSTER CARE PURSUANT TO TITLE 8, CHAPTER 4 AT ANY TIME BEFORE THE STUDENT GRADUATES FROM HIGH SCHOOL OR OBTAINS A GENERAL EQUIVALENCY DIPLOMA.

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

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

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