

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 56<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 3450</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>8178</b>
<b>Author:</b>	<b>Rep. Calvey</b>
<b>Date:</b>	<b>2/19/2018</b>
<b>Impact:</b>	<b>Tax Commission:</b>
	<b>Potential \$1.5 million Decrease in FY-20</b>
	<b>Income Tax Collections</b>

**Research Analysis**

HB3450, as introduced, increased, from \$2000 to \$3000, the tax credit amount that married individuals filing jointly can receive for making a contribution to an eligible scholarship granting organization. The measure also increases the annual cap for credits claimed in tax year 2019 and future years to \$5 million.

Prepared By: Quyen Do

**Fiscal Analysis**

From the Tax Commission:

Under current law, an income tax credit is allowed for contributions to an eligible scholarship-granting organization and an eligible educational improvement grant organization. The credit is generally 50%<sup>1</sup> of the amount contributed, not to exceed \$1,000 for an individual (\$2,000 for a married filing joint return) or \$100,000 for a legal business entity. Tax credits which are allocated to an individual(s) by a pass-through entity are limited based on the total credit limitation of the pass-through entity and not by \$1,000 (or \$2,000) limitation for individuals. The credit may be carried over for three (3) succeeding taxable years.

The aggregate credits cannot exceed \$3.5 million annually for donations to an eligible scholarship-granting organization and \$1.5 million annually for donations to an educational improvement grant organization<sup>2</sup>. If total combined credits claimed for contributions to one organization exceed the cap for that organization, credits not claimed for the other organization may be allocated to the first organization, but no more than \$5 million in total credits may be claimed annually. If the Tax Commission determines the total combined credits claimed for contributions to both eligible scholarship-granting organizations and eligible educational improvement grant organizations exceed \$5 million, the Tax Commission shall determine the percentage of the contribution which establishes the proportionate share of the credit which may be claimed by any taxpayer so that the maximum credits authorized are not exceeded.

This measure proposes to increase the annual credit cap for contributions to eligible scholarship-granting organizations from \$3.5 million to \$5 million beginning with tax year 2019. For purposes of this analysis, it is assumed that sufficient contributions will be made in 2019 to hit the \$5 million cap for tax year 2019. No change to estimated tax or withholding is anticipated so the full \$1.5 million impact is expected in early 2020 (FY20) when income tax returns are due.

Prepared By: Mark Tygret

### **Other Considerations**

None.

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