

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 2062

SPONSOR: Appropriations Committee and Senator Lee

SUBJECT: Scholarship Funding Tax Credits

DATE: April 15, 2003 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Favorable</u>
2.	<u>McVaney</u>	<u>Coburn</u>	<u>AP</u>	<u>Fav/CS</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill increases the total amount of corporate income tax credits which may be granted each state fiscal year for contributions to nonprofit scholarship funding organizations from \$50 million to \$70 million. Tax credits may be carried forward for up to three years if the taxpayer has insufficient tax liability. It also adjusts the scholarship amounts awarded per enrollee by the percentage change in the Consumer Price Index.

The bill creates a new corporate income tax credit for monetary donations to nonprofit scholarship funding organizations that provide scholarships to dependents of certain active duty military and reserve personnel. The total tax credits that can be granted under this program is \$5 million annually. This scholarship tax credit program mirrors the current scholarship tax credit program with two exceptions. First, a beneficiary under this program must meet the additional qualification of being a dependent child of active duty personnel in the United State military and all reserve components, including the Florida National Guard personnel deployed in support of active duty operations. Second, the contribution by the taxpayer is limited to \$1 million (rather than \$5 million) to any single eligible nonprofit scholarship-funding organization.

This bill substantially amends s. 220.187, F.S and creates s. 220.1875, F.S.

II. Present Situation:

Chapter 2001-225, L.O.F., created s. 220.187, F.S., to provide a 100 percent corporate income tax credit for contributions to eligible nonprofit scholarship funding organizations. Total credits available are capped at \$50 million per state fiscal year, and 5 percent of the total amount authorized must be reserved for small businesses. The amount of the scholarship provided to any child for a single school year is limited to \$3,500 per scholarship awarded to a student enrolled in

an eligible nonpublic school, and \$500 for a scholarship awarded to a student enrolled in a Florida public school that is located outside the district in which the student resides.

Under this program, nonprofit scholarship funding organizations provide scholarships to students who are eligible for free or reduced-price lunches under the National School Lunch Act and:

- were enrolled in public school in Florida during the previous state fiscal year;
- received a scholarship from an eligible scholarship funding organization during the previous year; or
- are eligible to enter kindergarten or first grade.

According to the Department of Revenue, the entire \$47.5 million in credits available to large corporations has been claimed for the current fiscal year, and scholarship organizations were able to award the entire amount of creditable contributions. Approximately 15,000 students are currently receiving scholarships through this program. Nearly all are for private school enrollment; less than 1 percent is for transportation outside a student's home district. There are 8 eligible scholarship funding organizations listed on the Department of Education Choice Office's web page.

III. Effect of Proposed Changes:

This bill increases the total amount of corporate income tax credits which may be granted each state fiscal year for contributions to nonprofit scholarship funding organizations from \$50 million to \$70 million. Businesses are permitted to carry forward tax credits for three years if those credits are unused because the business has insufficient tax liabilities. It does not change the 5 percent of the total credits reserved for small businesses. It also adjusts the scholarship amounts awarded per enrollee by the percentage change in the Consumer Price Index, for years after the 2003-04 school year.

The bill creates a new corporate income tax credit for monetary donations to nonprofit scholarship funding organizations that provide scholarships to dependents of certain active duty military and reserve personnel. The total tax credits that can be granted under this program is \$5 million annually. This scholarship tax credit program mirrors the current scholarship tax credit program with two exceptions. First, a beneficiary under this program must meet the additional qualification of being a dependent child of active duty personnel in the United State military and all reserve components, including the Florida National Guard personnel deployed in support of active duty operations. Second, the contribution by the taxpayer is limited to \$1 million (rather than \$5 million) to any single eligible nonprofit scholarship-funding organization.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This bill increases the corporate income tax credits available for contributions to scholarship funding organizations from \$50 million to \$75 million. This bill is estimated to reduce receipts into the General Revenue Fund by \$32.6 million in FY 2003-04 and \$23.5 million annually thereafter. The first-year impact is greater than the recurring impact because corporations taking the credits will reduce their estimated payments in the first fiscal year of the increase.

B. Private Sector Impact:

The additional credits available can provide approximately 8,000 additional scholarships to private schools.

C. Government Sector Impact:

This bill can reduce the number of students enrolled in Florida public schools by approximately 8,000.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.