

**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**



Fiscal Note On: **HB 443** HLS 21RS 543  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 27, 2021 6:27 PM	<b>Author:</b> BEAULLIEU
<b>Dept./Agy.:</b> Education	<b>Analyst:</b> Garrett Ordner
<b>Subject:</b> School Tuition Organization Tax Credit	

TAX/INCOME-CREDIT EG -\$705,000 GF RV See Note Page 1 of 1  
 Provides for individual income tax credits for donations made to school tuition organizations

Proposed legislation revises the amount of the school tuition organization (STO) donation nonrefundable tax credit to include the full amount (100%) of the donation rather than only the portion (95%) used to fund scholarships. Requires STOs to distribute scholarship payments at least twice per year rather than four times as is the case under present law. Requires STOs to submit annual reports to the Department of Education (LDE) by the last day of January rather than the first day of January each year. Provides that STOs need only apply for a thirty-day extension rather than be granted one in order to avoid noncompliance. Requires LDE to submit the report to the Department of Revenue by the first day of March rather than February. Allows STOs to use a nationally norm-referenced test approved by the Board of Elementary and Secondary Education (BESE) to measure learning gains in math and language arts in lieu of the state test associated with the school and district accountability system. Requires LDE to issue a receipt to the taxpayer for the full amount of the donation rather than only the portion used to fund scholarships. Effective July 1, 2021.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						
REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	(\$705,000)	(\$705,000)	(\$705,000)	(\$705,000)	(\$705,000)	<b>(\$3,525,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>(\$705,000)</b>	<b>(\$705,000)</b>	<b>(\$705,000)</b>	<b>(\$705,000)</b>	<b>(\$705,000)</b>	<b>(\$3,525,000)</b>

**EXPENDITURE EXPLANATION**

There will be an indeterminable impact to the state Minimum Foundation Program (MFP) funding formula to the extent student participation in the STO is impacted by the proposed increase in the credit to the full amount of the donation. However, students move in and out of the MFP without regard to this program, as well as enter nonpublic schools with no intention of entering public schools. Net MFP effects strictly attributable to the program are uncertain. Minor programming costs will be incurred by the Dept of Revenue to incorporate the new credit amount in tax processing systems.

**REVENUE EXPLANATION**

There will be an indeterminable decrease in state revenues due to the increase in the school tuition organization (STO) tax credit to the full amount of the donation. Revenue losses will depend upon the amount of donations made in future fiscal years.

Under current law, only the portion of a donation which directly funds a scholarship is eligible for the tax credit, which must be at least 95% of the total donation. The proposed legislation will increase the tax credit to the full amount of the donation; therefore, the resulting decrease in revenues will be up to 5% of total donations. Some of this revenue loss will be realized in future years, as the credit is allowed to be carried forward for up to three taxable years.

Per STO financial reports submitted to the Department of Education (LDE) reports, donations to STOs have averaged \$14.1 M per year over the prior 3 fiscal years. Assuming future donations follow historical trends, the additional annual revenue loss would be approximately \$705,000. Actual annual amounts will vary with donation levels. It is unknown whether the increase in the credit to the full amount of the donation will incentivize additional donations.

Senate      Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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