LEGISLATIVE FISCAL OFFICE
Fiscal Note

Date: May 26, 2023	1:34 PM	**Author:** JACKSON
Dept./Agy.: Revenue		
Subject: Income Tax Credit: Public School Donations		**Analyst:** Benjamin Vincent

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Authorizes a tax credit for donations to certain public schools. (1/1/25)

Proposed law authorizes a nonrefundable 95% income tax credit for donations to public schools receiving a grade of "D" or "F" in the prior year, and requires the recipient schools to utilize such donations for eligible purposes, including childcare for student parents, and school-based health clinics, among others. Proposed law requires LDR to provide a standardized donation receipt format. By March 1, the school shall have a CPA complete a report for submission to LDR and the Dept. of Ed. detailing all donations. The receipt may serve as sufficient documentation to claim the credit in January.
Proposed law limits total credits that may be granted in any year to $10 million, grants claims on a first-come, first-served basis beginning January 1, and issues credits on a pro-rata basis for the particular day in the event that the maximum is reached. Proposed law specifies that no credits will be granted for taxable periods beginning on or after January 1, 2028. Effective January 1, 2025 for donations made during the 2024-25 school year.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5-YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	$0
Agy. Self-Gen.	$0	INCREASE	INCREASE	INCREASE	INCREASE	$0
Ded./Other	$0	$0	$0	$0	$0	$0
Federal Funds	$0	$0	$0	$0	$0	$0
Local Funds	$0	$0	$0	$0	$0	$0
Annual Total	**$0**					**$0**

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5-YEAR TOTAL
State Gen. Fd.	$0	($10,000,000)	($10,000,000)	($10,000,000)	($10,000,000)	($40,000,000)
Agy. Self-Gen.	$0	$0	$0	$0	$0	$0
Ded./Other	$0	$0	$0	$0	$0	$0
Federal Funds	$0	$0	$0	$0	$0	$0
Local Funds	$0	$0	$0	$0	$0	$0
Annual Total	**$0**	**($10,000,000)**	**($10,000,000)**	**($10,000,000)**	**($10,000,000)**	**($40,000,000)**

EXPENDITURE EXPLANATION

LDR reports that costs of implementing proposed law, including programming, testing, and system development to accommodate the new credit are expected, estimated at approximately $53,000 of staff time. Additionally, sufficient program participation is anticipated such that one (1) Tax Specialist ($51,000 salary) is expected to be hired within Tax Compliance to administer the credit and compliance verification.

Any increase in LDR expenses will be paid with self-generated revenue which may decrease the LDR reversion to the state general fund. Thus, increasing spending at LDR may reduce state general fund revenue.

REVENUE EXPLANATION

LFO anticipates sufficient participation volume in the proposed 95% credit program to reach the annual maximum amount. Presumably, the first year of impact to the state fisc would be FY25 with donations taken against 2024 taxes. Sunset provisions amended into the Engrossed version of the bill provide that revenue impacts would effectively end after FY28.

LFO notes that there is no maximum donation for credit eligibility purposes, nor is there a carryforward provision in proposed law.